

## ***APPENDIX J***

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***MENOMINEE CASINO – HOTEL PROJECT SOCIOECONOMIC  
IMPACT ANALYSIS / ANALYSIS OF STATE IMPACTS RELATED TO  
THE PROPOSED KENOSHA CASINO***

**Menominee Casino - Hotel Project  
Socioeconomic Impact Analysis**

**Prepared by Economics Research Associates (ERA)**

**May 13, 2005**



Economics Research Associates

Confidential

Final Report

**Economic Impact and Fiscal Impact  
of Kenosha Menominee Casino –  
Hotel Project**

Submitted to

**Analytical Environmental Services**

Submitted by:

**Economics Research Associates**

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## Executive Summary

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### **Menominee Nation – Kenosha Casino - Hotel Project Socioeconomic Impact Analysis**

**Prepared by Economics Research Associates (ERA)**

#### **Introduction**

Economics Research Associates (ERA) was hired by Analytical Environmental Services to conduct an impact analysis of the proposed Menominee Casino - Hotel Project. The project is being developed by the Menominee Indian Tribe of Wisconsin on a 223-acre site at the existing Dairyland Greyhound Park attraction. The Approved Concept Program for Temporary and Permanent operations will include:

- Continued operation of the Dairyland Greyhound program
- Development of 100,000 square feet of gaming space with six restaurants, multi-purpose events hall, entertainment, retail and beverage services
- A second phase including a 400-room hotel, additional gaming space, and expanded parking
- Potential additional concepts being considered are a waterpark, recreational vehicle park and expanded parking.

ERA's impact analysis reflects our assessment of the Approved Concept Program, field analysis and research as well as our experience with comparable casino projects. The objective of ERA's analysis is to provide a realistic analysis of the Menominee Casino - Hotel Project economic implications including:

1. **Direct Impacts** – Includes the new jobs and wages by both the construction and operational program of the casino attraction.
2. **Indirect Impacts** – The new wages and expenditures created in Kenosha by the casino program will generate additional (indirect) jobs and wages as they circulate through the local economy.
3. **Fiscal Impacts** – A description of the wide range of local and state government taxes, fees and payments that will result from the direct and indirect impacts of the construction program and operational activity at the casino attraction. The Menominee Kenosha Gaming Authority (MKGA) will be responsible for payments to the City and County "Fiscal Impacts" that result from operation of the facility. It should be noted that the MKGA is exempt from direct state and county sales taxes that would be generated from purchasing of construction materials.

4. **Social Impacts** – A review of the relevant experience of casino programs (i.e. National Gambling Impact Report, U.S. General Accounting Office Impact of Gambling, etc.) in terms of potential social issues.
5. **Other Impacts** – The scope of this project and the related visitor activity will have significant ongoing economic benefits in terms of overall tourism and eventual off-site development opportunities.

ERA's gaming and entertainment experience is that project impact forecasting, while not an exact science, can be reasonably conducted for programs such as the Kenosha casino project. Besides the proposed high quality design of the casino and related amenities, essential attributes of this project include:

**Experienced Quality Operators** – Working with the Menominee Indian Tribe is the Mohegan Tribe that operates the highly successful Mohegan Sun Resort in Connecticut. In ERA's opinion, this experienced team assures a professional facility and operating program.

**Location** – The existing Kenosha Dairyland Greyhound facility is an established entertainment facility with an excellent site in terms of access, visibility, surrounding amenities, etc. As important, almost 15 million people live within 100-miles of the site (3.5 million within 50-miles).

**Attraction** – The scale and components of the Menominee Casino - Hotel Project (i.e. casino, hotel, conference center, events hall, support amenities, etc.) clearly separate this facility from the existing gaming programs in the region and assure a more diversified and multi-focused visitor base.

ERA provides the following summary of the Menominee Casino - Hotel Projects primary economic and social impacts, which are further defined in our report.

### **Construction Program Direct Impacts**

The phased construction process for this \$808 million dollar project will generate a wide range of local economic benefits including:

- **Jobs** – Over the 3.5 year development period an average of 650 construction jobs will be generated annually. These jobs will add an estimated total of \$90 million dollars in new wages to the local economy.
- **Material** – The development program will purchase \$120 million dollars in material from vendors in the State of Wisconsin.

## Operating Program Direct Impacts

The ongoing, expanding phased operating program (i.e. National Gambling Impact Report, U.S. General Accounting Office Impact of Gambling etc.) of the casino attraction will create a wide range of economic benefits including:

- **Jobs** – Approximately 3,300 new annual jobs will have been created at the attraction with the completion of Phase II. Wages and benefits from these jobs will exceed \$150 million dollars annually.
- **Expenditures** – The completed casino operating program will purchase estimated \$125 million dollars in goods and services annually of which an approximately \$31 million (e.g. marketing, advertising, insurance, fees, promotions, utilities, etc.) are estimated to be from the local market.

## Visitor Direct Impacts

The scope of the Approved Concept attraction guarantees a significant potential visitor trade area. This will obviously enhance the existing \$200 million dollar Kenosha County annual tourism industry with particular positive implications for the current modest activity in the non-summer seasons. In addition to engaging in area retail and related activities, ERA estimates the gaming attraction visitors will:

- Occupy 50,000 to 100,000 rooms per year in existing hotels prior to the casino completion of the hotel, with related room revenues (\$5 million plus) and new room taxes (\$400,000 plus) as well as a sales taxes generated from room revenue (\$275,000).
- After the completion of the hotel in Phase II, the Market Assessment report, prepared by PricewaterhouseCoopers LLP, estimates that the casino hotel will capture approximately 124,000 room nights. Based on agreements with the Tribe and the Conventions and Visitors Bureau (CVB), the Tribe will charge a hotel room tax that equals the room tax imposed by the City of Kenosha and the CVB will receive 90% of the taxes generated. The taxes generated will reportably be used to promote tourism in the Kenosha area. In addition, Tribe has agreed to impose a Tribal Sales Tax of 5.5% of which 30% will be shared with County of Kenosha with these funds earmarked for road improvements.

## Indirect Impacts

A complicated, but essential component of the new economic benefits of the project are the resulting indirect impacts. The described new construction and operating wages and purchases will circulate through the local economy generating additional economic (i.e. retail, service, taxes) activity and associated benefits. ERA used existing U.S. Department of Commerce formulas to define these indirect economic impacts including:

- \$110 million additional local area wages generated from the construction period.
- An additional 2,300 local jobs and \$97 million dollars in wages annually from the casinos operating program after the completion of Phase II.

## Fiscal Impacts

The fiscal impact summary estimates for local government (City, County, State) are described in ERA's report are summarized as follows:

### Construction Phase Direct and Indirect Fiscal Impacts – One Time Occurrence

|                                     |              |
|-------------------------------------|--------------|
| State Income Taxes Generated        | \$13,700,000 |
| State Retail Sales Taxes Generated  | \$3,200,000  |
| County Retail Sales Taxes Generated | \$320,000    |
| Total                               | \$17,220,000 |

| Annual Program Operational Payments from MKGA –After Completion of Phase II | Estimated    |               |
|---|--------------|---------------|
|   | First Year   | 10-Year Total |
| Payments to State   | \$34,800,000 | \$390,000,000 |
| Payments to City and County   | \$13,600,000 | \$192,000,000 |
| Payments to Kenosha Schools <sup>2</sup>                                    | \$1,500,000  | \$15,000,000  |
| Payments to the Menominee Reservation School District                       | \$1,500,000  | \$15,000,000  |
| Responsible Gaming Program <sup>3</sup>                                     | \$150,000    | \$1,500,000   |
| Payments to County <sup>4</sup>   | \$1,057,000  | \$9,940,000   |
| Payments to the CVB (Hotel Room Tax)  | \$300,000    | \$3,370,000   |
| One time Payment for Public Purposes  | \$5,000,000  | \$5,000,000   |
| Total   | \$57,907,000 | \$631,810,000 |

| Annual Operational Wage Direct and Indirect Fiscal Impacts –After Completion of Phase II <sup>5</sup> | Estimated    |               |
|---|--------------|---------------|
|   | First Year   | 10-Year Total |
| State Income Taxes Generated  | \$10,300,000 | \$115,500,000 |
| State Retail Sales Taxes Generated  | \$6,427,000  | \$ 73,800,000 |
| Total   | \$16,727,000 | \$189,300,000 |

1. The report assumes that construction and operation of the facility reach full implementation, Phase II, as defined throughout the report.
2. Payments to Kenosha Schools from the MKGA are \$1,500,000; plus \$500,000 each from City and County for a total of \$2,500,000.
3. Payments to Responsible Gaming Program from the MKGA are \$150,000; plus \$150,000 from the County on an annual basis. The City also makes a one-time payment of \$150,000 towards the Responsible Gaming Program.
4. Includes payments to the County from Tribal Sales Tax and retail sales taxes generated from direct and indirect fiscal impacts
5. Includes taxes generated from overnight and day visitors who reside outside of the Kenosha area.

**Please Note:** To illustrate the overall fiscal benefit of the proposed project, ERA summarized the probable revenues that will be generated over the first 22 years of full operation (See Appendix C). We used an inflation rate of 2.5% for our estimates (not including annual payments City and or County, to the Kenosha Schools, Menominee Reservation School District, and Responsible Gaming Program).

Additional income taxes could potentially be generated for the State of Wisconsin from gambling winnings.



**Project Options – Fiscal Impact Implications** to satisfy Bureau of Indian Affairs requirements. ERA was requested to provide several realistic development alternatives for the subject project and to summarize the probable economic impact implications for each alternative. (See Appendix A).

### **Social Impacts Summary**

Perhaps the most challenging component of ERA's impact analysis was estimating the various social impacts of the casino project. ERA's conclusions described in our report, build off the previous analysis and can be summarized as follows:

1. fund tribal government operations or programs;
2. provide for the general welfare of the Indian tribe and its members;
3. promote tribal economic development;
4. donate to charitable organizations; or
5. help fund operations of local government agencies.

**Positive Social Impacts** --- In addition to the obvious benefits to the Menominee Indian Tribe the regional area will gain a range of positive social benefits including:

- New Jobs, including professional, technical, managerial and especially important entry level and second wage earners employment opportunities
- Reduced welfare and related issues as a result of the new jobs
- Increased local family resources for housing, education, health care, etc.

**Negative Social Impacts** --- Existing research, while limited, generally supports a conclusion that gaming activity can potentially lead to individual social problems including:

- Family issues (i.e. divorce, violence, child neglect)
- Social issues including job loss, crime, mental health

**Social Impacts Fiscal Implications** --- ERA's report summarizes the potential fiscal implications of the positive and negative social impacts. Once the program is operational our estimates will be able to be refined and more accurate conclusions derived. At this point in the program ERA offers the following social impact fiscal conclusions:

**Social Problems** --- As gaming programs (i.e. casino, wagering, lottery, internet, etc.) continue to expand, there will be additional related social issues and costs. ERA believes these issues are currently impacting the regional population as a result of the previous increased gaming activity in the region (e.g. casinos, lottery, internet, etc.). ERA's report summarizes the significant new resources (i.e. over \$200 million dollars in the first 10 years of full program operation will be paid to Kenosha City and County by MKGA), which need to be considered in evaluating potential social fiscal costs. It should be noted that social costs are considered fiscally insignificant when compared to new resources that will be readily available for the City and County.

**Program Response** --- A growing national program is evolving to respond to the issues of problem gamblers. In ERA's experience, casino program operators including the Mohegan Tribe, are actively involved in this process as are the respective local governmental units.

### **Other Impacts**

ERA's experience and the PricewaterhouseCoopers LLP assessment of the visitor environment in the vicinity of the Kenosha site leads to a positive conclusion regarding new tourism opportunities. The near-by shopping opportunities alone afford visiting couples an option of combining activities on their gaming visit or separating to pursue their own interests.

The scale of the project and visitor activity generated will in ERA's opinion also encourage new spin-off development of additional retail, entertainment, lodging, dining and related activity. The Kenosha Casino's new year round visitor base is the potential basis for an expanded regional visitor program with related local economic benefits. ERA's field assessment identified considerable large-scale retail activity in the corridor adjacent to the casino site. There are also a wide range of near-by lodging and dining options. Discussions with the regions economic development and tourism decision makers indicate they are aware of, and plan to capitalize on the potential economic benefits of the expanded visitor base.

ERA was requested to briefly define the potential economic impact of the Menominee Casino – Hotel project on the Forrest County Potawatmi Tribal Casino Program in Milwaukee. This assessment is included as Appendix B.

## Menominee Casino – Hotel Project Socioeconomic Impact Analysis

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### Direct Impacts

Direct impacts are those impacts that result from direct expenditures generated by the facility. Direct impacts include jobs, earnings, material and service purchases, taxes and fees etc. It is important to note that it will be built developed in three phases:

- **Temporary Casino** – Based on the timeline supplied to ERA, the temporary phase is anticipated to begin operating by April 1<sup>st</sup>, 2006 and cost approximately \$90 million. The temporary phase will include 1,000 slot machines and 50 table games within the current Dairyland facilities while the additional phases are developed. Dairyland greyhound racing will continue while this phase is implemented and will be part of the total experience at the facility.
- **Phase I Facilities** – On June 1<sup>st</sup>, 2007, Phase I is anticipated to begin operating with over 100,000 square feet of gaming space and cost approximately \$518 million. Phase I will include a new gaming facility with a total of 2,700 slot machines and 75 table games and will be built adjacent to and attached to the Temporary facility. Phase I also includes six different restaurants with seating for up to 1,200 people, 49,400 sq. ft. of retail space, a entertainment facility, conference space, and a total of 2,000 underground and 5,000 parking deck spaces.
- **Phase II Facilities** – On June 1<sup>st</sup>, 2009, Phase II is anticipated to be completed at a total cost of \$200 million. At this point, the casino attraction will include a total of 3,100 slot machines, 75 table games, and total of 116,000 square feet of gaming space. This phase in addition to additional gaming and amenity space will include a new 400-room hotel, expanded parking deck and a nightclub.

### Direct Impacts from Construction

Constructing the project will create significant jobs, earnings and taxes. The following table summarizes the projected expenditures based on the anticipated capital costs for the proposed project. As noted in the table below, the three phases of the Menominee project have a projected development budget of \$808,000,000. This budget includes the projected costs associated with material and labor, bought locally, in other parts of Wisconsin, and out of state. It is important to note that the construction impacts will be felt in the Kenosha area over a period of time since the timing of the building of the three phases is projected to extend over a three and a half year period.

**Table 1. Summary of Facility Budget**

|  | Temporary           | Phase I              | Phase II             | Total                |
|--|---------------------|----------------------|----------------------|----------------------|
| Acquire Dairyland                      | 40,500,000          | -                    | -                    | 40,500,000           |
| Construction/Site Work                 | 9,487,000           | 295,796,000          | 135,773,000          | 441,056,000          |
| FF&E* - Gaming Interior                | 1,370,000           | 22,287,000           | 8,754,000            | 32,411,000           |
| FF&E - Hotel/Conference                | -                   | -                    | 10,250,000           | 10,250,000           |
| Professional Fees                      | 1,403,000           | 39,145,000           | 17,593,000           | 58,141,000           |
| Information Technology                 | 8,695,000           | 3,888,000            | 3,060,000            | 15,643,000           |
| Signage/Vehicles                       | 1,000,000           | 2,630,000            | -                    | 3,630,000            |
| Multi-Purpose Entertainment Facility   | -                   | 13,687,000           | -                    | 13,687,000           |
| Gaming Related Equipment               | 8,669,000           | 44,158,000           | 7,408,000            | 60,235,000           |
| Pre-Opening                            | 6,321,000           | 5,695,000            | 1,555,000            | 13,571,000           |
| Financing/Debt Issuance Fees           | 3,253,000           | 19,138,000           | 3,922,000            | 26,313,000           |
| Capitalized Interest                   | 750,000             | 35,000,000           | 8,000,000            | 43,750,000           |
| Casino Impressments                    | 7,125,000           | 10,109,000           | -                    | 17,234,000           |
| Subtotal                               | 88,573,000          | 491,533,000          | 196,315,000          | 776,421,000          |
| Contingency                            | 1,428,000           | 26,467,000           | 3,685,000            | 31,580,000           |
| <b>Total Projected Facility Budget</b> | <b>\$90,001,000</b> | <b>\$518,000,000</b> | <b>\$200,000,000</b> | <b>\$808,001,000</b> |

Source: Overview of a Proposed Kenosha Wisconsin, Casino Gaming and Regional Destination Entertainment Center, June 2004

\* Fixtures, furniture, and equipment

Note: Columns of figures may not add to totals shown due to rounding

After interviewing a number of contractors and union members within the area, and based on experience with projects elsewhere, ERA developed various assumptions to estimate how much of the construction/site work and the multi-purpose entertainment facility would have a direct impact on the Kenosha area. The facility budget can be broken down into the main categories of labor and material. Note that a significant portion of the labor and material will not be realized at a local level since the majority of these expenses will be purchased from outside of the community and outside of the state, such as gaming related equipment, information technology, furniture, fixtures & equipment (FF&E), etc.

**Table 2. Summary of Estimated Construction Budget by Phases**

|                                      | \$ Temporary       | \$ Phase I           | \$ Phase II          | \$ Total             |
|--------------------------------------|--------------------|----------------------|----------------------|----------------------|
| Construction/Site Work               | 9,487,000          | 295,796,000          | 135,773,000          | 441,056,000          |
| Multi-Purpose Entertainment Facility | -                  | 13,687,000           | -                    | 13,687,000           |
| <b>Total</b>                         | <b>\$9,487,000</b> | <b>\$309,483,000</b> | <b>\$135,773,000</b> | <b>\$454,743,000</b> |

Source: Overview of a Proposed Kenosha Wisconsin, Casino Gaming and Regional Destination Entertainment Center, June 2004 prepared by project technical staff

Note: Columns of figures may not add to totals shown due to rounding

### *Construction Employment, Earnings, and Materials Purchased*

ERA discounted approximately 5% of the total construction budget towards overhead, bonding costs for contractors, and profit margins. According to industry averages, approximately 50% of the construction budget can be generally allocated towards labor and 50% towards materials. To be more conservative and based on discussions with a local major engineering firm, this particular project could have a slightly higher ratio of material to labor would be spent locally. ERA assumed 60% of the costs for materials and 40% for labor would be spent locally. The local area for the employment section is defined as the Kenosha, Racine, and Walworth counties with the majority of this labor coming from Kenosha and Racine County.

The Southeastern Wisconsin Building and Construction Trades Council has an agreement with any contractor who works on this project, which stipulates that a minimum of 50% of the labor must come from the local area and must be a member of the union. With at least 50% of the labor from the local market and based on our interviews, ERA used an estimate that the local labor supply could support up to 75% of the total labor force. An additional 15% could come from other parts of Wisconsin with the remaining 10% for labor from Illinois and elsewhere.

Based on a construction material, supply, and location matrix developed by Graef, Anhalt, Schloemer & Associates, (a Milwaukee engineering firm) ERA used a weighted average of where materials would be purchased based on each phase. Graef & Associates estimated that roughly 25% of the construction materials would be purchased from Kenosha County during the Temporary Phase, 25% during Phase I, and for Phase II. Graef & Associates also estimated that 40% of the construction materials would be purchased from vendors in other parts of Wisconsin during the Temporary Phase, 40% during Phase I, and 50% during Phase II.

Using the timeline supplied by the Menominee Tribe, and applying ERA's analytical process, from January 2006 to June 2009, the construction activity for the project will have a local impact of roughly \$170 million with a total impact in the State of Wisconsin at \$275 million. The local labor budget could total approximately \$130 million and the local material construction budget could total up to \$41 million over the three and half year period.

**Table 3. Summary of Labor and Material Budget in Wisconsin**

|              | \$ Local             | \$ Non-local         | \$ Total             |
|--------------|----------------------|----------------------|----------------------|
| Labor        | 129,602,000          | 25,920,000           | 155,522,000          |
| Material     | 40,519,000           | 78,970,000           | 119,489,000          |
| <b>Total</b> | <b>\$170,121,000</b> | <b>\$104,890,000</b> | <b>\$275,011,000</b> |

Source: Menominee Tribe, Mohegan Sun, ERA, Local Contractors

Note: Columns of figures may not add to totals shown due to rounding

According to the U.S. Department of Commerce Bureau of Labor and Statistics (BLS), the mean annual wage for a construction worker in the Kenosha area is \$43,600. Assuming that the average benefits package is 30% in addition to their annual wages, each construction worker has a wage and benefits package of approximately \$56,700. Using 2,080 hours as a standard for annual hours worked per construction employee, ERA calculated the Full-Time Equivalent (FTE) workers for the

local labor budget at 2,300 jobs over a three and half year period. Over the life of the construction project, the labor budget could support on an average annual-basis, 660 construction workers.

Some line items in the development budget such as professional fees, signage/vehicles, and pre-opening, will also have a local impact. ERA could not estimate the impacts at this phase of the project, but if and when local businesses and workers are hired, direct, indirect, direct fiscal, and indirect fiscal impacts will be generated.

### **Direct Impacts from Operation and Maintenance**

The direct impact from program operations and maintenance, described on the following page, detail the direct jobs and earnings from casino and managerial employees and goods and service purchases in the local economy.

#### *Employment, Earnings, and Fringe Benefits*

The Menominee Tribe provided a preliminary business plan for the Project and the Tribe estimated the direct number of jobs, earnings, and fringe benefits by department. The following tables summarize the estimated workers by department and each of their wages and benefits package.

**Table 4. Estimated Full Time Equivalent (FTE) Workers during the Temporary Phase, Phase I, and Phase II Excluding Senior Executive Management**

|                             | Employee Full Time<br>Equivalents | \$Average Hourly Rate<br>(Includes tips where<br>appropriate) | \$Average Annual<br>Wages | \$Estimated Average<br>Benefit Cost Per FTE | \$Estimated Average<br>Annual Wages and<br>Benefits |
|-----------------------------|-----------------------------------|---|---------------------------|---|---|
| <b>Temporary</b>            |                                   |   |                           |   |   |
| Gaming                      | 560                               | 15.51   | 32,270                    | 12,609                                      | 44,879  |
| Food & Beverage             | 129                               | 13.68   | 28,464                    | 11,575                                      | 40,039  |
| Property Operations         | 166                               | 12.23   | 25,431                    | 12,572                                      | 38,003  |
| Casino Finance              | 122                               | 15.06   | 31,326                    | 11,770                                      | 43,096  |
| Marketing                   | 75                                | 14.47   | 30,092                    | 15,172                                      | 45,264  |
| Administration & Finance    | 40                                | 16.51   | 34,341                    | 17,314                                      | 51,655  |
| Human Resources             | 17                                | 13.40   | 27,876                    | 14,054                                      | 41,930  |
| <b>Total</b>                | <b>1,109</b>                      | <b>14.21</b>  | <b>29,682</b>             | <b>12,700</b>                               | <b>42,382</b>                                       |
| <b>Phase I</b>              |                                   |   |                           |   |   |
| Gaming                      | 882                               | 15.94   | 33,146                    | 12,801                                      | 45,947  |
| Food & Beverage             | 524                               | 12.75   | 26,522                    | 10,545                                      | 37,067  |
| Entertainment               | 55                                | 13.44   | 27,959                    | 11,347                                      | 39,306  |
| Retail                      | 14                                | 13.23   | 27,521                    | 13,876                                      | 41,397  |
| Property Operations         | 465                               | 11.46   | 23,828                    | 11,389                                      | 35,217  |
| Casino Finance              | 210                               | 10.88   | 22,622                    | 11,406                                      | 34,028  |
| Marketing                   | 141                               | 13.57   | 28,236                    | 14,236                                      | 42,472  |
| Administration & Finance    | 80                                | 15.82   | 32,897                    | 16,587                                      | 49,484  |
| Human Resources             | 37                                | 12.51   | 26,022                    | 13,120                                      | 39,142  |
| <b>Sub-Total</b>            | <b>2,408</b>                      | <b>13.67</b>  | <b>28,430</b>             | <b>12,166</b>                               | <b>40,596</b>                                       |
| <b>Third Party (leased)</b> | <b>343</b>                        | <b>11.68</b>  | <b>24,285</b>             | <b>5,637</b>                                | <b>29,922</b>                                       |
| <b>Total</b>                | <b>2,751</b>                      | <b>14</b>   | <b>28,986</b>             | <b>10,099</b>                               | <b>39,085</b>                                       |

|                                 |              |              |               |               |               |
|---------------------------------|--------------|--------------|---------------|---------------|---------------|
| Phase II                        |              |              |               |               |               |
| Gaming                          | 1,044        | 17.13        | 35,624        | 13,948        | 49,572        |
| Food & Beverage                 | 573          | 13.76        | 28,621        | 11,355        | 39,976        |
| Entertainment                   | 55           | 14.54        | 30,240        | 15,247        | 45,487        |
| Retail                          | 13           | 12.41        | 25,817        | 13,017        | 38,834        |
| Property Operations             | 537          | 12.38        | 25,744        | 12,258        | 38,002        |
| Casino Finance                  | 235          | 11.62        | 24,162        | 12,182        | 36,344        |
| Marketing                       | 151          | 14.53        | 30,227        | 15,241        | 45,468        |
| Administration & Finance        | 91           | 16.98        | 35,315        | 17,806        | 53,121        |
| Human Resources                 | 40           | 11.90        | 24,753        | 12,480        | 37,233        |
| Hotel                           | 171          | 10.97        | 22,811        | 10,937        | 33,748        |
| Sub-Total                       | 2,910        | 14.50        | 30,158        | 12,994        | 43,152        |
| Third Party - Leased Facilities | 427          | 12.76        | 26,543        | 5,960         | 32,503        |
| <b>Total</b>                    | <b>3,337</b> | <b>14.76</b> | <b>30,706</b> | <b>10,782</b> | <b>41,488</b> |

Source: Menominee Tribe and Mohegan Sun

Note: Columns of figures may not add to totals shown due to rounding



Using the figures provided in the business plan, ERA calculated the total annual wages and benefits for FTE (Full time Equivalent) workers at the proposed facility.

**Table 5. Estimated Total FTE Workers and Compensation Package by Phases - Nominal Dollars**

|                                   | Temporary Phase     | Phase I*             | Phase II*           |
|-----------------------------------|---------------------|----------------------|---------------------|
| Total FTE Workers                 | 1,109               | 2,751                | 3,337               |
| Total Annual Wages                | \$35,607,000        | \$86,883,000         | \$112,117,00        |
| Total Annual Benefits             | \$14,863,000        | \$35,163,000         | \$ 45,661,00        |
| <b>Total Compensation Package</b> | <b>\$50,470,000</b> | <b>\$122,046,000</b> | <b>\$157,778,00</b> |

Source: Menominee Tribe, Mohegan Sun

\*Includes the jobs and wages provided by a third parties

Note: Columns of figures may not add to totals shown due to rounding

According to the Mohegan Sun, the vast majority of the workforce at the Mohegan Sun Casino in Connecticut comes from within 20-minutes of the casino. Using this experience as a guide and the fact that approximately 1 million people reside within 25 miles of the site, ERA determined that 80% of the operating work force would be from Wisconsin and that the majority would primarily come from the Kenosha, Racine, and Walworth area. ERA also concludes that since the majority of this workforce currently resides in the area the need for new housing, schools etc., will be at a minimum. This further supports the argument that the development of the project will positively effect the unemployment rate in the Kenosha and Racine area.

ERA also took into consideration the current number of employees at the Dairyland Greyhound Park to take into account the incremental change (new jobs and earnings) in the number of employees once the proposed casino opens. Based on the assumption already outlined, once the temporary phase opens, the casino will need to hire about 850 additional workers. An estimated 680 of these new jobs would be filled by persons from Wisconsin. Applying the same logic to Phase I and II, the facility will hire an additional 1,300 workers from Wisconsin for Phase I and 470 more workers for Phase II.

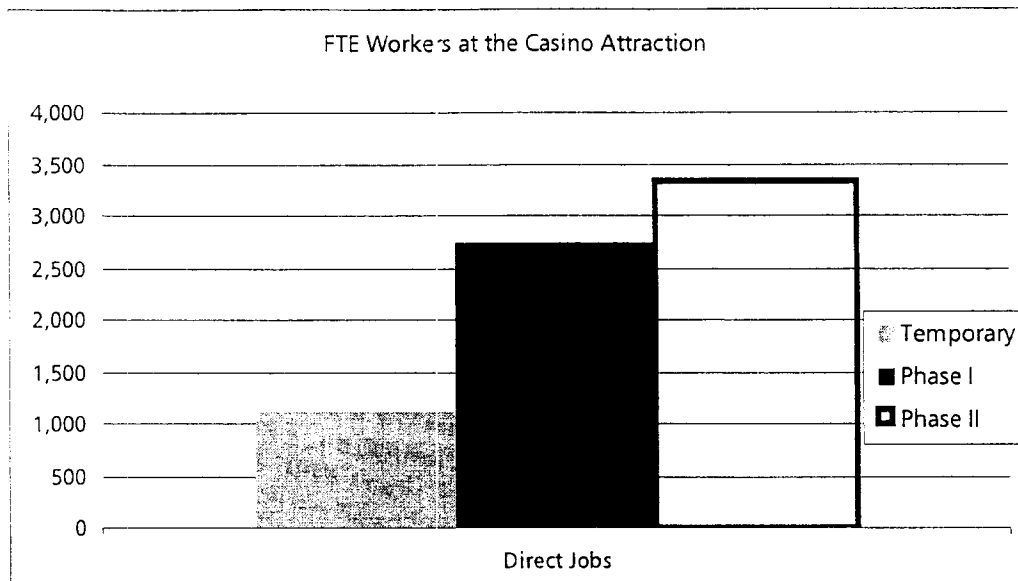
**Table 6. WI Workers and Incremental Change in Workers by Phases**

|                                     | Status Quo | Temporary Phase | Phase I* | Phase II* |
|-------------------------------------|------------|-----------------|----------|-----------|
| FTE Workers                         | 258        | 1,109           | 2,751    | 3,337     |
| FTE Workers from Wisconsin          | 206        | 887             | 2,201    | 2,670     |
| Total Incremental Change            | -          | 851             | 1,642    | 586       |
| Incremental Change for WI Employees | -          | 681             | 1,314    | 469       |

Source: Menominee Tribe, Mohegan Sun, Dairyland Race Track, ERA

\*Includes the jobs provided by a third party

Note: Columns of figures may not add to totals shown due to rounding



Using the average annual wages, which includes tips where appropriate, provided by the Menominee Tribe, the 2003 payroll at Dairyland and the assumptions provided by the Mohegan Sun, ERA calculated the incremental changes in annual taxable wages. (These figures do not include managerial wages, which are treated later.)

**Table 7. Estimated Annual Taxable Wages and Incremental Changes by Phases - Nominal Dollars**

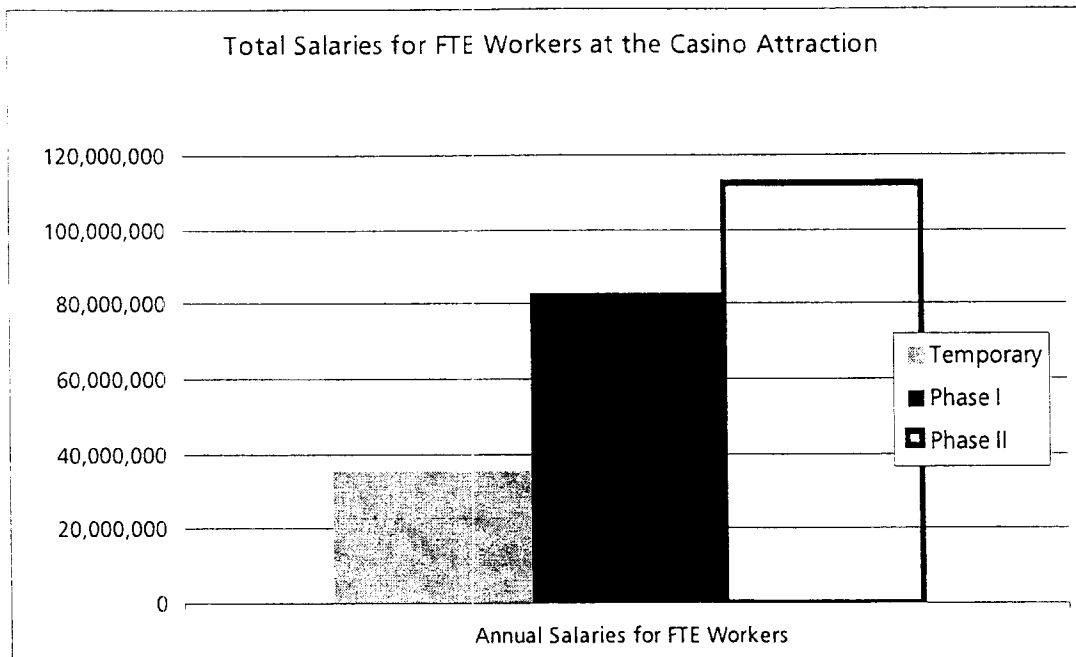
|  | Status Quo  | Temporary Phase | Phase I*     | Phase II*     |
|--|-------------|-----------------|--------------|---------------|
| Annual Salaries for FTE Workers (plus tips)                | \$3,715,000 | \$35,607,000    | \$82,696,000 | \$112,117,000 |
| Annual Salaries for FTE Workers from Wisconsin (plus tips) | \$2,972,000 | \$28,485,000    | \$66,157,000 | \$89,694,000  |
| Total Incremental Change                                   | -           | \$31,892,000    | \$47,089,000 | \$29,421,000  |
| Incremental Change for Wisconsin Employees                 | -           | \$25,513,000    | \$37,672,000 | \$23,537,000  |

Source: Menominee Tribe, Mohegan Sun, ERA

\*Includes the salaries provided by a third parties

Note: Columns of figures may not add to totals shown due to rounding

The following graph illustrates the total annual salaries for casino employees and third party employees.



The Mohegan Sun Tribe also provided their proposed business plan for the management team that will be operating the facility. Based on this plan and ERA's experience with comparable non-urban casino projects, ERA believes it is reasonable to assume that all of the management team would relocate within close proximity to the facility. Since the plan reflects only approximately 20+ individuals, there is minimal need for new housing, no affect on schools, etc. However, it adds an upper income class of employment needed in the area.

The following two tables summarize the total annual wages for managerial workers.

**Table 8. Summary of Annual Management Wages by Phases**

|                     | Temporary Phase    | Phase I            | Phase II           |
|---------------------|--------------------|--------------------|--------------------|
| Administration      | \$1,144,000        | \$1,525,000        | \$1,649,000        |
| Human Resources     | 94,000             | 125,000            | 135,000            |
| Property Operations | 131,000            | 175,000            | 189,000            |
| Marketing           | 319,000            | 425,000            | 460,000            |
| Entertainment       | -                  | 125,000            | 135,000            |
| Food                | 94,000             | 125,000            | 135,000            |
| Beverage            | 94,000             | 125,000            | 135,000            |
| Gaming Operations   | 169,000            | 225,000            | 243,000            |
| Casino Finance      | 75,000             | 100,000            | 108,000            |
| Retail              | -                  | -                  | 81,000             |
| Hotel               | -                  | -                  | 100,000            |
| <b>Total</b>        | <b>\$2,120,000</b> | <b>\$2,950,000</b> | <b>\$3,370,000</b> |

Source: Mohegan Sun, ERA

Note: Columns of figures may not add to totals shown due to rounding

### *Estimated Local Operating Expenditures*

The following table outlines the operating budget for the proposed facility based on the different phases of the project. As noted in the table, there are significant increases in the budget as different phases are completed. .

**Table 9. Summary of Operating Budget for Goods and Services**

|   | Temporary Phase     | Phase I             | Phase II             |
|---|---------------------|---------------------|----------------------|
| Costs of Goods Sold                     | \$2,198,000         | \$6,407,000         | \$10,689,000         |
| Casino Special Events and Entertainment | \$2,688,000         | \$13,925,000        | \$26,383,000         |
| Marketing, Promotions, and Advertising  | \$5,664,000         | \$16,342,000        | \$45,542,000         |
| Utilities, Insurance, Fees, and G&A     | \$16,164,000        | \$27,013,000        | \$42,348,000         |
| <b>Total</b>                            | <b>\$26,714,000</b> | <b>\$63,687,000</b> | <b>\$124,962,000</b> |

Source: Mohegan Sun, Menominee Tribe, ERA

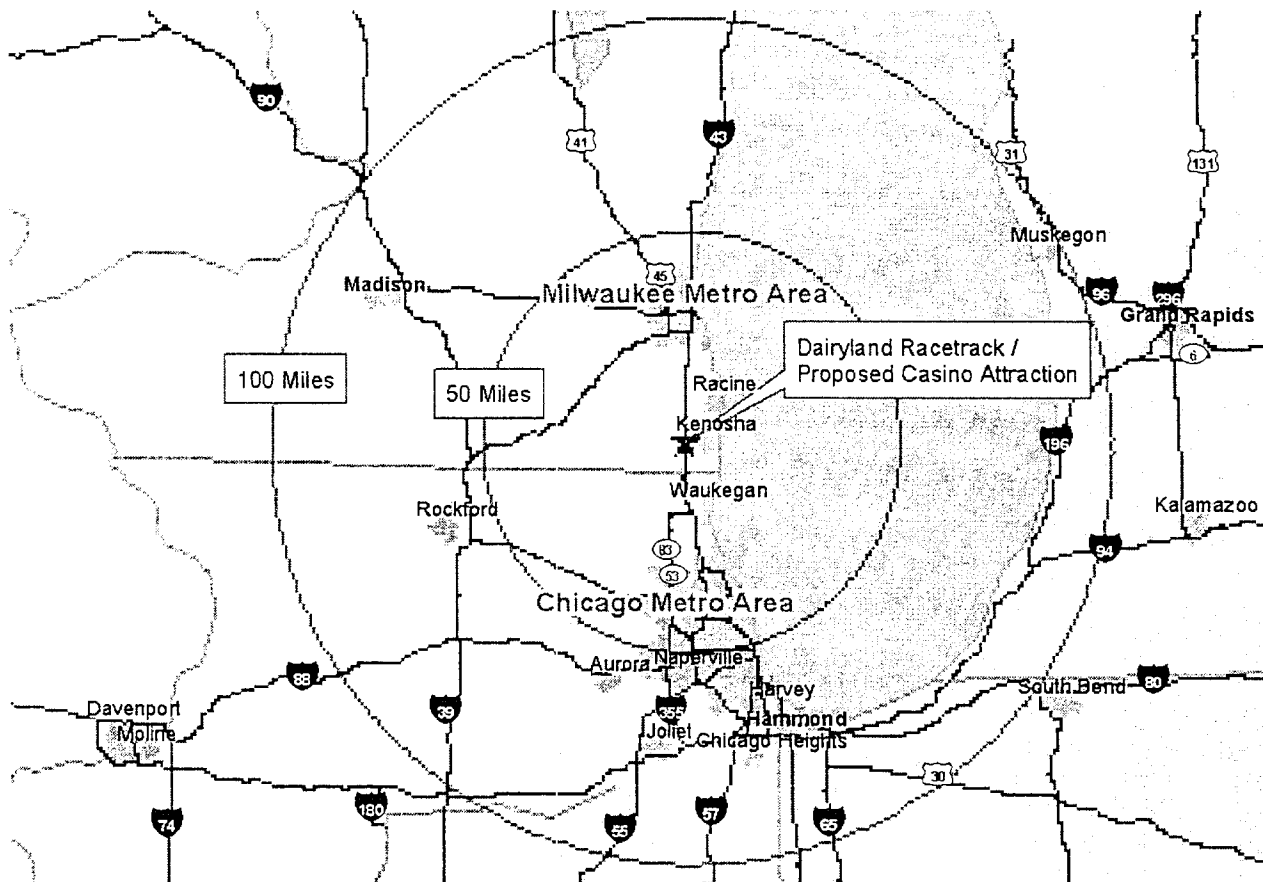
Note: Columns of figures may not add to totals shown due to rounding

Based on the non-metropolitan location of the project, a large amount of the supplies needed for the project probably cannot be purchased from the Kenosha area because the local market may not produce or manufacture many of these goods. One of the Procurement Department's objectives is to determine if a local supply base can be developed. For purposes of this report, ERA estimated that approximately 25% of the total goods, services, insurance, utility expenditures would initially be purchased locally - \$31,200,000. The IGA also requires the procurement area to have a minority supplies development manager therefore providing a forum for further positive social developments.

Of the \$31 million, ERA estimates that \$6 million will be spent on casino special events and entertainment, \$10 million on marketing, promotions, and advertising, and \$15 million on utilities, insurance, fees, and G&A.

## Direct Visitor Expenditures

The Market Assessment Report, prepared by PricewaterhouseCoopers LLP, indicated that over 14.8 million adults are within 100 miles of the Kenosha site – an obvious significant population from which to draw gaming and entertainment patrons. While other gaming venues are within the same driving range as Kenosha, the scale and multi faceted concept of the Menominee Dairyland Casino project represents a destination opportunity for potential gaming patrons from outside the immediate area for short getaway trips.



One of the success factors for Las Vegas (and other gaming destinations) is to offer a variety of gaming and entertainment experiences, the goal being new visitors, extended stays and repeat visits. The concept for the Menominee Dairyland Casino is a mixed venue that will offer an extensive marketing and packaging opportunities and attraction. In ERA's opinion the Menominee Dairyland Casino will be creating a tourism and casino program that will potentially expand the market to beyond the initial 100 miles projected by the projects Market Assessment. ERA also notes that the casino site is in close proximity to established retail and related functions.

An additional factor is that Kenosha is conveniently located to the 9.8 million adults that live between one hour and 100 miles away. These potential patrons could easily drive for daytrips to the Menominee Dairyland Casino; however the appeal of staying for an overnight visit rather than a simple daytrip will, in ERA's experience, result in increased hotel utilization and

expenditures. The Market Assessment estimated that approximately 124,000 room nights would result in the Casino Hotel once it is completed in Phase II. This figure could be expanded to reflect both overnight visitors prior to the casino hotel as well as visitors that select other lodging facilities in the area. ERA estimates that approximately 2.5% of the gaming visits could involve overnight stays.

This also means that during the years until Phase II is opened, that the full 8% of hotel/motel tax as well as the 5.5% sales tax will be collected by the existing hotel/motel operators and distributed to the State, County and CVB as part of their current policies. Once the hotel in Phase II opens, some shift of casino visitor stays will likely occur, in any event the non-casino hotels will continue to capture a share of gaming guests.

Using Convention and Visitors Bureau average daily room rate (ADR) of \$67, ERA projected hotel room revenue and hotel room taxes generated during the interim period (see table 18 on page 27). Inclusion of the hotel in the casino project has the net effect of extending the duration of a visitors stay in the Kenosha area thereby potentially increasing the potential spin-off into the local economy for non-casino businesses. Under the Visitor Impact Section, ERA estimated the probable hotel room nights generated, overnight visitor expenditures and sales taxes generated outside of the casino in the Kenosha area (see table 19 on page 28).

## Indirect Impacts

### Indirect Impacts from Construction

The previously described direct impacts created by the construction and operating activities at the casino attraction also generate what are termed indirect impacts: While somewhat more difficult to quantify than the direct jobs, wages and purchases previously defined, the indirect impacts are just as real and important. The new jobs created to build and operate the casino will generate new income in the area for homes, food, cars, merchandise, entertainment, etc. The local businesses and their employees that provide ongoing services and material to the casino program will do the same.

This increased economic activity will generate a range of new jobs and wages throughout the area (i.e. business expansion, new housing, retail, services, etc.) Thus the new wages the casino program generates are spent and re-spent in the local economy gradually evolving out of the region to outside suppliers, taxing entities, etc. Depending upon the size of the local market, the U.S. Department of Commerce provides estimates as to what a new projects direct wages and purchases will generate in subsequent indirect impacts in the local economy.

#### *Construction Wages*

Based on the direct earnings and employment discussed under labor construction budget, ERA used the 2001 State of Wisconsin multiplier to calculate the indirect earnings and jobs generated over a 3-year construction period. Based on these multipliers, the local casino generated construction labor budget could result in an additional \$87 million in indirect earnings could support creating an additional 3,000 indirect jobs.

**Table 10. Summary of Direct and Indirect Jobs and Earnings - Construction Labor Budget**

|               | \$ Earnings  |              |             | Jobs   |          |       |
|---------------|--------------|--------------|-------------|--------|----------|-------|
|               | Direct       | Indirect     | Total       | Direct | Indirect | Total |
| Local Impacts | \$90,721,000 | \$87,365,000 | 178,086,000 | 2,287  | 2,955    | 5,241 |

Source: Mohegan Sun, Menominee Tribe, ERA, U.S. Dept. of Commerce, Local Contractors

Note: Columns of figures may not add to totals shown due to rounding

#### *Construction Materials Budget*

Based on the estimated local materials purchased budget, ERA used appropriate multipliers to calculate the indirect earnings and jobs created by the purchases. Based on these multipliers, the materials purchased at a local level could generate up to \$21 million in indirect earnings and roughly 700 indirect jobs. Over the period of construction, on an average annual basis approximately 200 indirect additional jobs could be supported.

**Table 11. Summary of Indirect Earnings and Jobs - Construction Material**

|                  | \$ Earnings  | Jobs |
|------------------|--------------|------|
| Indirect Impacts | \$21,479,000 | 698  |

Source: Mohegan Sun, Menominee Tribe, ERA, U.S. Dept. of Commerce, Local Contractors

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### **Indirect Impacts from Operation and Maintenance**

Just as in the construction phases of the Project, there are two types of indirect impacts that will also be generated through the operation of the casino attractions program. Using multipliers, ERA estimated the indirect jobs and earnings generated by the everyday operation of the facility and purchasing of materials. The following tables highlight the indirect jobs and earnings that are estimated to be created through the ongoing operation of the casino facility.

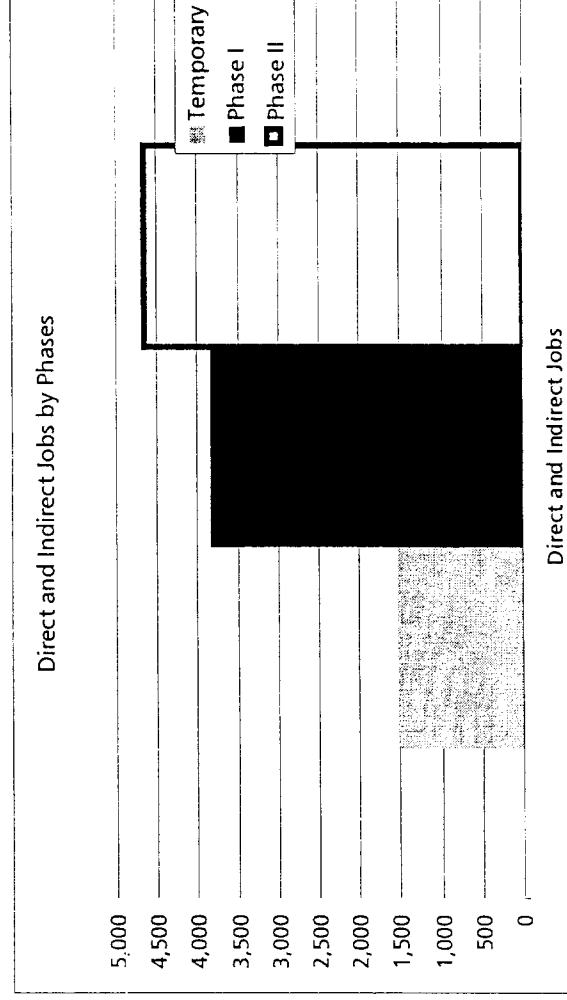


**Table 12. Summary of Direct and Indirect Jobs – Casino Employees**

|   | Status Quo     |                  |               | Temporary      |                  |               | Phase I        |                  |               | Phase II       |                  |               |
|---|----------------|------------------|---------------|----------------|------------------|---------------|----------------|------------------|---------------|----------------|------------------|---------------|
|   | Direct<br>Jobs | Indirect<br>Jobs | Total<br>Jobs | Direct<br>Jobs | Indirect<br>Jobs | Total<br>Jobs | Direct<br>Jobs | Indirect<br>Jobs | Total<br>Jobs | Direct<br>Jobs | Indirect<br>Jobs | Total<br>Jobs |
| Total                                     | 258            | 88               | 346           | 1,109          | 429              | 1,538         | 2,751          | 1,086            | 3,837         | 3,337          | 1,312            | 4,649         |
| Estimated Jobs in Wisconsin               | 206            | 71               | 277           | 887            | 343              | 1,231         | 2,201          | 868              | 3,069         | 2,670          | 1,049            | 3,719         |
| Estimated Incremental Change in Wisconsin | -              | -                | -             | 681            | 273              | 954           | 1,314          | 525              | 1,839         | 469            | 181              | 650           |

Source: Mohegan Sun, Menominee Tribe, ERA, U.S. Dept. of Commerce

Note: Columns of figures may not add to totals shown due to rounding

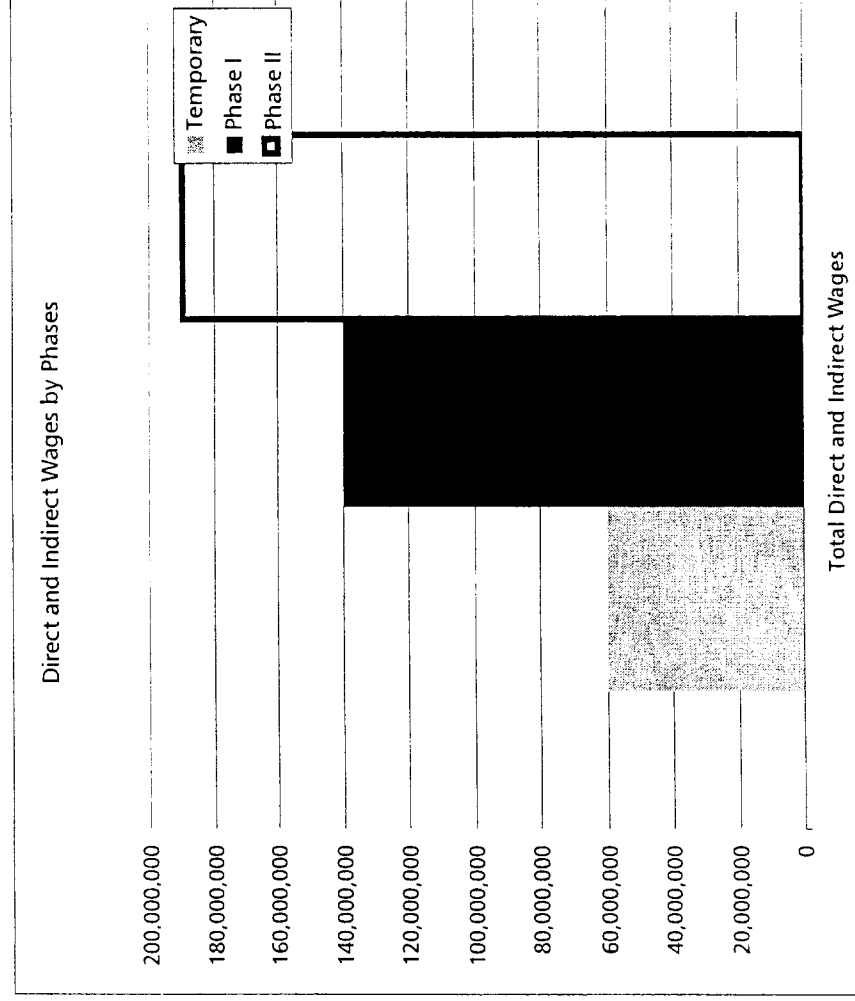


**Table 13. Summary of Direct and Indirect Earnings – Casino Employees**

| (\$Thousands)                             | \$Status Quo    |                   | \$Temporary    |                 | \$Phase I         |                | \$Phase II      |                   |
|---|-----------------|-------------------|----------------|-----------------|-------------------|----------------|-----------------|-------------------|
|   | Direct Earnings | Indirect Earnings | Total Earnings | Direct Earnings | Indirect Earnings | Total Earnings | Direct Earnings | Indirect Earnings |
| Total                                     | 3,700           | 2,500             | 6,200          | 35,600          | 23,800            | 59,500         | 82,700          | 57,000            |
| Estimated Earnings in Wisconsin           | 3,000           | 2,000             | 5,000          | 28,500          | 19,000            | 47,600         | 66,200          | 45,600            |
| Estimated Incremental Change in Wisconsin | -               | -                 | -              | 25,500          | 17,000            | 42,600         | 37,700          | 26,600            |
|   |                 |                   |                |                 |                   |                | 23,500          | 16,400            |
|   |                 |                   |                |                 |                   |                |                 | 39,900            |

Source: Mohegan Sun, Menominee Tribe, ERA, U.S. Dept. of Commerce

Note: Columns of figures may not add to totals shown due to rounding



ERA also assessed the impact of the managerial positions on the local and state economy since these are treated separately in the business plan. The following table outlines the direct and indirect jobs and earnings the managerial positions could have on the area. Using State of Wisconsin multipliers specific to each managerial position, ERA calculated the jobs and earnings that will be generated.

**Table 14. Summary of Direct and Indirect Jobs and Earnings – Managerial Employees**

|             | Temporary Phase |             |             | Phase I     |             |             | Phase II    |             |             |
|-------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|             | Direct          | Indirect    | Total       | Direct      | Indirect    | Total       | Direct      | Indirect    | Total       |
| Jobs        | 16              | 7           | 23          | 17          | 8           | 25          | 19          | 9           | 28          |
| Earnings \$ | \$2,119,000     | \$1,338,000 | \$3,457,000 | \$2,950,000 | \$1,868,000 | \$4,818,000 | \$3,372,000 | \$2,155,000 | \$5,527,000 |

Source: Mohegan Sun, Menominee Tribe, ERA, U.S. Department of Commerce

### *Local Operating Expenditures*

ERA calculated the projected indirect jobs and earnings that result from local purchases by using multipliers and applying them to the local operating budget. Based on these calculations, the costs of goods in the proposed operating budget could generate 150 jobs during the temporary phase, about 510 jobs during Phase I, and approximately 990 jobs during Phase II. These purchases could also support about \$4.1 million in additional earnings during the Temporary Phase, \$8.8 million in earnings during Phase I, and up to \$17.5 million during Phase II.

**Table 15. Total Indirect Jobs and Earnings by Phases – Operating Expenditures**

|                  | Temporary Phase |      | Phase I     |      | Phase II     |      |
|------------------|-----------------|------|-------------|------|--------------|------|
|                  | \$ Earnings     | Jobs | \$ Earnings | Jobs | \$ Earnings  | Jobs |
| Indirect Impacts | \$4,135,000     | 151  | \$8,821,000 | 506  | \$17,526,000 | 988  |

Source: Mohegan Sun, Menominee Tribe, ERA, U.S. Department of Commerce

## Estimated Fiscal Impacts

Fiscal impacts include state and local government taxes, fees and intergovernmental agreements. For instance, the state income tax on wages from the construction and operational phase jobs is a major fiscal impact. So too are the annual direct payments from the Menominee Casino that would be made under the Intergovernmental Agreements. ERA analyzed the different payments for the different phases of the Project and also made estimates regarding the impact from direct impacts (e.g. jobs at the casino facility) and indirect impacts (e.g. jobs in the community that result from the overall increase in the local economy as a result of the casino project). Where appropriate we also identified the government unit that would be the primary beneficiary (i.e. City, County, State).

### Construction Phase

#### *State Income Tax from Wisconsin Construction Workers*

Using state income tax rates published by the Wisconsin Department of Revenue, ERA calculated the state income taxes that will be generated by the construction phase. ERA estimated that the project construction workers could generate up to a total of \$7.3 million in state income taxes during the construction period.

#### *Retail Sales Taxes from Construction Workers*

Looking at the Kenosha County consumer expenditure potential, ERA determined that roughly 32% of household income would be subject to a sales tax. It should be noted that these taxes are non-annual and should be considered a one-time payment to the State over the life of the construction project. Approximately \$1.5 million in total sales taxes could be realized from the construction phase.

**Table 16. Sales Taxes Generated – Local Construction Labor**

|                        | Sales Tax          |
|------------------------|--------------------|
| State Tax              | \$1,456,000        |
| County Tax             | \$146,000          |
| <b>Total Sales Tax</b> | <b>\$1,602,000</b> |

Source: Menominee Tribe, Mohegan Sun, Wisconsin Dept. of Revenue, ERA, Local Contractors

Note: Columns of figures may not add to totals shown due to rounding

### Operation Program

ERA used the various pending agreements to estimate the payments and impacts from the operation of the casino and related facilities. ERA used a 12-month calendar regarding payments by the tribe and used the provided PWC revenue projections starting in Year 2 – the first full year of operations. The following are estimates for the different types of payments and taxes that result from the revenue potential of the casino and other facilities:

### *Tribal compact with the State*

- Net Win Payment to the State – The MKGA would pay the State of Wisconsin between 7-7.5% of the Net Win. By the third fiscal year, this annual payment to the State of Wisconsin is estimated to total more than \$26 million.

### *Intergovernmental Agreement Payments*

The Intergovernmental Agreement defines the various types of payments and contributions MKGA will make.

- Net Win Payment to the City and County – After establishment of Federal Trust Land, the Tribe will pay 3% of Net Win for the first 8-years of operation. Thereafter, payments to increase to 4% of Net Win. By the third fiscal year, this payment is estimated to total more than \$10.5 million.
- Payments to School Districts – When payments to the City and County exceed \$2 million (which is anticipated in each full year), the City shall provide \$500,000 to the Kenosha Unified School District and the County shall provide \$500,000 to be distributed to the high school districts located west of I-94 in County of Kenosha.

### *Payments and Charitable Contributions*

- Payments for Public Purposes – This is a one-time payment of \$5 million and will establish a trust for public museums, homeless persons in the city, and to address charitable needs in the County of Kenosha.
- Payments to Schools – When payments to the City exceed \$2 million (Net Win totals more than \$67 million), the Tribe will make a payment of \$1.5 million to the City for distribution to the Kenosha Unified School District and \$1.5 million to the schools of the Menominee Indian Reservation. This occurs annually.
- Responsible Gaming Program – Since the Menominee Tribe is committed to responsible gaming, it will make an annual payment of \$150,000 to the County to address this issue.

The following table outlines these payments.

**Table 17. Summary of Annual (except one time charitable) Payments to the State, City, County, Schools, and Charitable Contributions**

|                                      | Temporary Phase | Phase I      | Phase II     |
|--------------------------------------|-----------------|--------------|--------------|
| Payments to the State                | \$12,100,000    | \$26,300,000 | \$34,800,000 |
| Payments to the City/County          | \$4,900,000     | \$10,500,000 | \$13,700,000 |
| Charitable Contributions             |                 |              |              |
| One time payment-to City/County      | \$5,000,000     |              |              |
| Payments to Schools by Tribe         |                 |              |              |
| Kenosha Unified School District      | \$1,500,000     | \$1,500,000  | \$1,500,000  |
| Menominee Indian Reservation         | \$1,500,000     | \$1,500,000  | \$1,500,000  |
| Responsible Gaming Program-to county | \$150,000       | \$150,000    | \$150,000    |

Source: Market Assessment Report, Intergovernmental Agreement, Compact with State of Wisconsin

Note: Columns of figures may not add to totals shown due to rounding

### *Hotel Room Taxes*

Based on agreements signed by the Tribe and the Convention and Visitors Bureau (CVB), the Tribe will charge a hotel room tax that equals the room tax imposed by the City of Kenosha on all rooms except complementary rooms, the charge of 8% is the current rate. The CVB will receive 90% of this hotel room tax with the tribe retaining 10%. The Tribe has also agreed to charge a tribal sales tax of 5.5% on hotel room revenue and on all items purchased at the casino with the County of Kenosha receiving 30% of this total for the first 20-years and 20% in all subsequent years. All complementary items, such as food, beverages, retail, and entertainment will not be charged a tribal sales tax. Based on potential revenue generated, provided through the Market Assessment Report, the County of Kenosha and ERA assumed that 50% of all hotel room revenue, food, beverage, retail, and entertainment would be complementary.

ERA used an estimated annual room night activity of approximately 75,000 generated by the casino attraction during its first 3 full years of programming. Our estimate used an average daily room rate (ADR) of \$67 for a yearly hotel room revenue estimate of approximately \$5 million dollars. Once the casino hotel does open, ERA assumed that local hotel share of casino visitor room nights generated would decrease to 50,000. ERA includes the casino hotel room revenue and local hotel room revenue to calculate total hotel room taxes generated.

**Table 18. Annual Hotel Room Taxes and Sales Taxes Generated for the CVB and County**

|                    | Temporary Phase | Phase I     | Phase II    |
|--------------------|-----------------|-------------|-------------|
| Hotel Room Revenue | \$5,000,000     | \$5,000,000 | \$7,504,000 |
| Hotel Room Tax     | \$400,000       | \$400,000   | \$600,000   |
| CVB Receives       | \$360,000       | \$360,000   | \$540,000   |
| Tribal Tax         | -               | -           | \$228,000   |
| County Receives    | -               | -           | \$69,000    |

Source: Market Assessment Report, Kenosha CVB, Menominee Tribe, ERA

Note: Columns of figures may not add to totals shown due to rounding

Casino hotel room revenue was discounted for complementary rooms. In Phase II, Tribal Tax and County Receives only takes into consideration the hotel revenue generated at the casino.

Please note, in 2010, the CVB will receive \$540,000 in additional revenue. Roughly \$300,000 is accounted for through the Tribal agreement with the CVB with \$240,000 generated from hotel room taxes generated in the local market.

In 2003, the operating budget of the CVB was \$650,000; therefore the impact from payments by the Menominee/Dairyland Casino to the CVB represent a substantial increase in its budget and presents the opportunity to substantially increase the tourism marketing of the Kenosha area.

As noted in the table below, ERA estimated visitor expenditures and sales taxes that will be generated outside of the casino. Using the room night demand of 75,000 and applying an average of 2 people per room, ERA estimates that prior to the opening of the casino hotel, the casino will generate 150,000 overnight visitors to the Kenosha area. ERA estimates that once the casino hotel does open, overnight visitors staying outside the casino will decrease, but total overnight visitors will increase to an estimated 350,000 people. Based on ERA's assessment of the market report (i.e. demographics, income, etc.) we estimated that overnight visitors will spend approximately \$45 on food and beverage, retail, and entertainment outside of the casino.

Using the visitor projections supplied through the Market Assessment and discounting Kenosha patrons and overnight visitors, ERA projected day trip visitors from outside the Kenosha area. Using an average expenditure of \$5 (for food and beverage, retail, and miscellaneous expenditures outside of the casino), ERA projected total sales expenditures.

**Table 19. Estimated Annual Visitor Expenditures and Retail Sales Taxes Generated Outside the Casino in the Kenosha Area**

|   | Temporary Phase     | Phase I             | Phase II            |
|---|---------------------|---------------------|---------------------|
| Overnight Visitors                          | 150,000             | 150,000             | 348,000             |
| Total Expenditures                          | \$6,750,000         | \$6,750,000         | \$15,660,000        |
| Day Trip Visitors from Outside Kenosha Area | 858,000             | 3,005,000           | 3,449,000           |
| Food, Retail, Misc. Expenditures            | \$4,288,000         | \$15,023,000        | \$17,243,000        |
| <b>Total Retail Expenditures</b>            | <b>\$11,038,000</b> | <b>\$21,773,000</b> | <b>\$32,903,000</b> |
| Retail Sales Taxes                          |                     |                     |                     |
| State                                       | \$552,000           | \$1,089,000         | \$1,645,000         |
| County                                      | \$55,200            | \$108,900           | \$164,500           |
| Total                                       | \$607,200           | \$1,197,900         | \$1,809,500         |

Source: ERA, Market Assessment Report

### *Utility Taxes*

The utility taxes are difficult to estimate at this time of the program. Based on available data ERA derived an initial estimate of annual utility tax estimate of \$195,000 associated with gas and electric. Of which \$178,000 the State will receive with the County receiving \$18,000. Under the IGA agreement, the MKGA shall also pay to the Kenosha Water Utility all usual and customary fees associated with sewer, water, and storm water charges.

### *Retail Sales Taxes on Items Purchased at Casino*

Based on retail revenue projections provided through the Market Assessment Report and using the assumptions regarding tribal sales taxes, the following table illustrates the various taxes generated through retail sales.

**Table 20. Estimated Annual Sales Taxes Generated for the County through Tribal Sales Taxes<sup>1</sup> – Nominal Dollars**

|   | Temporary Phase | Phase I          | Phase II         |
|---|-----------------|------------------|------------------|
| Projected Revenue                             |                 |                  |                  |
| Food & Beverage                               | \$5,600,000     | \$10,250,000     | \$16,350,000     |
| Retail  | \$150,000       | \$600,000        | \$1,250,000      |
| Entertainment                                 | -               | \$1,350,000      | \$3,300,000      |
| <b>Estimated County Seals Taxes Generated</b> | <b>\$94,000</b> | <b>\$201,000</b> | <b>\$345,000</b> |

Source: Market Assessment Report, Menominee Tribe, Mohegan Sun, ERA

1. The MKGA agreed to charge a tribal sales tax, a percentage is payable to the County of Kenosha

Note: Columns of figures may not add to totals shown due to rounding

Projected revenue potential was discounted for complementary rooms

*Please note on page 32, ERA made similar estimates regarding potential fiscal revenue generated for the County from 3<sup>rd</sup> party retailers.*

### *State Income taxes from Wisconsin Casino Employees*

ERA has already estimated the number of direct and spin-off jobs that will be created by the project. These jobs, with the substantial total payroll associated with the jobs, create an additional source of revenue for the State. Using state income tax rates published by the Wisconsin Department of Revenue, ERA calculated the state income taxes generated by each individual casino employee and managerial employees based on each of their respective wages. While ERA recognizes that some of the casino workers could file joint tax returns, to simplify the analysis, ERA assumed that all of the casino workers would have individual returns. ERA then determined the total amount of taxes and used the assumption that roughly 80% of these workers would be from Wisconsin. The remaining employees would pay income taxes in their resident states. The following table summarizes the total amount of taxes generated for the State of Wisconsin during each phase of development.



**Table 21. Estimated Annual State Income Taxes Generated**

|   | Temporary Phase    | Phase I            | Phase II           |
|---|--------------------|--------------------|--------------------|
| Annual Taxes for FTE Workers from Wisconsin | \$1,675,000        | \$3,851,000*       | \$5,257,000*       |
| Annual Taxes from Managerial Wages          | \$136,000          | \$191,000          | \$218,000          |
| <b>Total State Income Taxes</b>             | <b>\$1,811,000</b> | <b>\$4,042,000</b> | <b>\$5,475,000</b> |

Source: Menominee Tribe, Mohegan Sun, Wisconsin Dept. of Revenue, ERA

\*Includes the salaries provided by a third party

Note: Columns of figures may not add to totals shown due to rounding

### *Property Taxes from Wisconsin Casino Employees*

For new property taxes to be taken into consideration, ERA estimated the number of employees who either relocated to the area or will be able afford to buy a home and pay property taxes because of the development of the casino. ERA has taken a conservative approach and used the assumption that most future casino employees are already in the area and therefore would have no direct property tax implications.

### *Retail Sales Taxes from Wisconsin Casino Employees*

As noted in previous sections, ERA determined that approximately 32% of household income could be susceptible to sales tax.

**Table 22. Annual Retail Sales Taxes Generated from WI Casino Employees – Nominal Dollars\***

|                                 | Temporary Phase  | Phase I**          | Phase II**         |
|---------------------------------|------------------|--------------------|--------------------|
| State Taxes                     | \$457,000        | \$1,062,000        | \$1,439,000        |
| County Taxes                    | \$46,000         | \$106,000          | \$144,000          |
| <b>Total Retail Sales Taxes</b> | <b>\$503,000</b> | <b>\$1,168,000</b> | <b>\$1,583,000</b> |

Source: Menominee Tribe, Mohegan Sun, Wisconsin Dept. of Revenue, ERA

\*Nominal Dollars are determined using a 2.5% inflation rate

\*\*Includes taxes generated by third party employees

Note: Columns of figures may not add to totals shown due to rounding

As noted in the table from above, up to \$1.4 million in state retail sales taxes and \$144,000 in county retail sales taxes could be generated from Wisconsin casino employees. The managerial employees will also spend a portion of their income in the local area and this will increase state and county taxes from retail sales. Based upon estimated sales taxes, there will be significant benefit to existing retail space and create some demand for new retail space.

### *Third Party Facilities*

Part of the business plan for the Menominee/Dairyland Casino facility is to create additional dining and retail opportunities with the project. These are referred to as “third party facilities” and would be leased space within the project envelope. Since these are anticipated to be non-tribal entities that operate leased facilities (such as fine dining), these would subject to certain additional taxes.

Real Estate Taxes – Third parties that lease property at the casino will be responsible for two types of real estate taxes, personal and real property taxes. Based on discussions with city officials, to determine a projects real property taxes the city generally reviews the income potential of the facility, minus expenses, use a cap rate in the range of 9%, minus the value of the land, and apply the property tax rates. ERA used an industry wide rule of thumb where expenses are about 1/3<sup>rd</sup> of total revenue and based on discussions with the City of Kenosha, assumed the value of the land would be \$250,000 per acre and converted this to a dollar per square foot. It should be noted that as the project moves forward, the value of the land will increase and the property tax rates could change.

The following table highlights the various fiscal impacts associated with the real property taxes.

**Table 23. Projected Annual Revenue and Real Estate Property Taxes – Third Party Facilities**

|                       | Phase I        |                  | Phase II          |             |                  |                   |
|-----------------------|----------------|------------------|-------------------|-------------|------------------|-------------------|
|                       | Square Feet    | Revenue / sq. ft | Projected Revenue | Square Feet | Revenue / sq. ft | Projected Revenue |
| Restaurants           | 27,400         | 603              | 16,522,200        | 27,400      | 603              | 16,522,200        |
| Retail                | 33,600         | 603              | 20,260,800        | 33,600      | 603              | 20,260,800        |
| Nightclub             | -              | -                | -                 | 9,000       | 603              | 5,427,000         |
| Total                 |                |                  | 36,783,000        |             |                  | 42,597,635        |
| Expenses              |                | 33%              |                   |             |                  |                   |
| Cap Rate              |                | 9%               |                   |             |                  |                   |
| Value of Land         |                |                  | 350,000           |             |                  | 505,000           |
| Income Potential      |                |                  | 2,388,000         |             |                  | 2,637,000         |
| Property Taxes - 2004 | 23.149/\$1,000 |                  |                   |             |                  |                   |
| <b>Total</b>          |                |                  | <b>\$60,600</b>   |             |                  | <b>\$67,600</b>   |

Source: Mohegan Sun, Menominee Tribe, City of Kenosha, ERA

Note: Columns of figures may not add to totals shown due to rounding

Additional revenue will be generated under personal property tax codes, based on ERA interviews and experience, ERA estimated that \$15,000 to \$20,000 in annual personal property taxes would be generated.

- Sales tax generated through purchases – Using the revenue line items from above, third party businesses will be responsible for collecting sales taxes on all purchases. This will generate annual sales taxes of approximately \$2 million during Phase I and up to \$2.3 million during Phase II.

**Table 24. Annual Retail Sales Taxes Generated from Third Parties**

|              | Phase I            | Phase II           |
|--------------|--------------------|--------------------|
| State        | \$1,839,000        | \$2,130,000        |
| County       | \$184,000          | \$213,000          |
| <b>Total</b> | <b>\$2,023,000</b> | <b>\$2,343,000</b> |

Source: Mohegan Sun, Menominee Tribe, City of Kenosha, ERA

Note: Columns of figures may not add to totals shown due to rounding

- Sales tax on purchasing of operational material – Given the likely lack of appropriate providers in the immediate area ERA assumes that the majority of these purchases will probably occur from outside of the community and will not have a significant local impact.

### Indirect Fiscal Impacts

Indirect fiscal impacts are secondary fiscal impacts that are linked to indirect impacts. As an example, the indirect wages generated through the operation of the casino facility will be assessed state and retail taxes.

For this proposed project there will be two types of indirect fiscal impacts, construction and operation. The indirect fiscal impacts generated through construction will be a one-time impact felt through the economy. Operational indirect fiscal impacts will occur on an ongoing basis.

#### *State Income Taxes from Indirect Wages*

Through the construction of the facility, ERA calculated the indirect wages from two sources, labor and materials. The following table highlights these indirect earnings and using an average annual tax rate of 5.9%. ERA calculated the annual tax rate from available data at the Wisconsin Department of Revenue.. It should be noted that these taxes are non-annual are should be considered a one time payment to the State over the life of the construction project.

**Table 25. State Income Taxes Generated – Construction Activity**

|                   | Life of Construction Period |
|-------------------|-----------------------------|
| Indirect Earnings |                             |
| Labor             | \$87,365,000                |
| Materials         | \$21,479,000                |
| <b>Total</b>      | <b>\$108,844,000</b>        |

|                           |                    |
|---------------------------|--------------------|
| <b>State Income Taxes</b> | <b>\$6,422,000</b> |
|---------------------------|--------------------|

Source: Mohegan Sun, Menominee Tribe, ERA, Department of Commerce, Wisconsin Dept. of Revenue

Note: Columns of figures may not add to totals shown due to rounding

Through the operation of the facility, ERA calculated indirect wages from three sources, casino employees, managerial employees, and operational purchases. The following table highlights these indirect earnings and using an average annual tax rate of 5.9%, ERA calculated the annual taxes generated through these wages.

**Table 26. Annual State Income Taxes Generated – Operational Activity**

|                           | Temporary          | Phase I            | Phase II           |
|---------------------------|--------------------|--------------------|--------------------|
| Indirect Earnings         |                    |                    |                    |
| Casino Employees          | 19,000,000         | 45,600,000         | 62,000,000         |
| Managerial Employees      | 1,338,000          | 1,868,000          | 2,155,000          |
| Operational Purchases     | 4,135,000          | 8,821,000          | 17,526,000         |
| <b>Total</b>              | <b>24,473,000</b>  | <b>56,289,000</b>  | <b>81,681,000</b>  |
| <b>State Income Taxes</b> | <b>\$1,444,000</b> | <b>\$3,321,000</b> | <b>\$4,819,000</b> |

Source: Mohegan Sun, Menominee Tribe, ERA, Department of Commerce, Wisconsin Dept. of Revenue

Note: Columns of figures may not add to totals shown due to rounding

### *Retail Sales Taxes from Indirect Wages*

As noted in the previous section, ERA calculated various indirect earnings from the construction of the facility. Using assumptions outlined through the report, ERA applied these earnings to state and county sales taxes to determine the indirect retail sales taxes generated.

**Table 27. One Time Retail Sale Taxes Generated – Construction Activity**

|              | Sales Tax          |
|--------------|--------------------|
| State Tax    | \$1,747,000        |
| County Tax   | \$175,000          |
| <b>Total</b> | <b>\$1,922,000</b> |

Source: Mohegan Sun, Menominee Tribe, ERA, Department of Commerce, Wisconsin Dept. of Revenue

Note: Columns of figures may not add to totals shown due to rounding

As noted in the previous section, ERA calculated various indirect earnings from the operation of the facility, indirect earnings from Wisconsin casino wages and managerial wages, and indirect wages generated from operational purchases. Using assumptions outlined through the report, ERA applied these earnings to state and county sales taxes to determine the indirect retail sales taxes generated.

**Table 28. Annual Retail Sales Taxes Generated – Operational Activity**

|              | Temporary      | Phase I        | Phase II         |
|--------------|----------------|----------------|------------------|
| State Tax    | \$393,000      | \$903,000      | \$1,311,000      |
| County Tax   | 39,000         | 90,000         | 131,000          |
| <b>Total</b> | <b>432,000</b> | <b>994,000</b> | <b>1,442,000</b> |

Source: Mohegan Sun, Menominee Tribe, ERA, Department of Commerce, Wisconsin Dept. of Revenue

Note: Columns of figures may not add to totals shown due to rounding

Based upon estimated sales taxes during Phase II, there will be additional sales in the community, these additional retail sales will augment existing retail space and create some demand for new retail space. If the expenditures were all going to new retail space the sales could support 80,000 to 100,000 square feet of retail space.

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## Social Impacts

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### Introduction – Social Impacts

A component of ERA's assignment for Analytical Environmental Services in conjunction with the Menominee Casino - Hotel Project was to further define the resulting social impacts. As part of this process, ERA reviewed all relevant previous analysis,<sup>1</sup> the existing reports and studies as well as our own experience with gaming programs.

Our general conclusions can be summarized as follows:

- **Federal Policy Shapes Indian Gaming's Social Impacts**

The policy foundations of Indian gaming have direct bearing on the social impacts that Indian gaming facilities produce. The character of socioeconomic consequences of Indian gaming derives from the fact that the net profits of that gaming are spent by tribal governments presiding over economically disadvantaged societies and by the fact that those government have to operate with the confines of policies not of their own making. Since tribal governments rather than private shareholders decide how the profits of Indian gaming enterprises will be spent, the socioeconomic consequences of Indian gaming are different from those of private gambling establishments<sup>2</sup>

- **Third-Party Research Fails to Link Social Costs to Gambling Expansion**

Opponents of Indian gaming (and gambling in general) tend to focus on the presumed social costs associated with gambling. Many of these social costs---crime, bankruptcy, suicide, and problem gambling---are assumed to accompanying gambling's introduction into new jurisdictions. However, third-party research into the relationship between social costs and gambling continuously fails to find a casual relationship between gambling and many social problems. A further complication is the rapid expansion of diverse available gaming options including lottery, internet and related programs. This report outlines the research that addresses the relationship between gambling and various social issues in light of particular criticisms of a proposed casino in Kenosha, Wisconsin.

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<sup>1</sup> National Gambling Impact Study Report (1999), United States General Accounting Office Impact of Gambling (2000), and American Gaming Association Reports.

<sup>2</sup> Section 3 of IGRA declares that the policy intends "to provide a statutory basis for the operation of gaming by Indian tribes as *a means of promoting tribal economic development, self-sufficiency, and strong tribal governments.*" 25 U.S.C. § 2702. (emphasis added).

- **Social Investment Would Bring a Net Gain to Kenosha, the Tribe and State**

The proposed Indian gaming facility in Kenosha, Wisconsin, would generate significant revenues for the Menominee Indian Tribe. Federal law mandates that net revenues from “any tribal gaming” be used for five primary purposes, each related to bettering the socioeconomic conditions of Indian communities and neighboring governments. Tribal government operations or programs, the general welfare of the tribe, tribal economic development, donations to charity and helping to fund the operations of local government.

### **ERA’s Social Impact Assessment**

ERA focused on the Kenosha gaming programs potential social fiscal impacts (positive and negative) and the related implications. Defining the social impacts of casino programs has been an ongoing process nationally as 48 states have approved some aspect of gaming activity. While it is possible to define some social impacts (i.e. new jobs, income, health insurance, etc.) existing research documents that it is more difficult to define others (i.e. expanded opportunities for social activity and welfare reduction, as well as behavioral problems, divorce, crime, etc.) For example, part of the complexity in determining social problems is that pathological gambling usually occurs in conjunction with other behavioral problems. Determining to what degree gambling contributed to the resulting problem will, in ERA’s opinion, always be a difficult task.

In attempting to determine potential social impact problems resulting from the Kenosha Casino program, one additional key local consideration needs to be recognized. Kenosha area residents currently have direct access to existing casino and related gaming programs in Wisconsin and Illinois as well as Internet gambling and the lottery. The Milwaukee Potawatomi Casino, approximately 45 minutes away, is a major attraction (e.g. 256,000 SF including 1,500 slot machines, and 32 table games). It is reasonable to assume that the range of positive economic impacts from the Milwaukee casino program (i.e. jobs, taxes, visitor expenditures, etc.) will have little if any implications for the Kenosha area. However, any negative impacts generated by problem gambling is probably already an issue of the Kenosha area population. While the addition of the Kenosha Casino may be perceived as possibly augmenting the social issues, it will also provide the previously documented economic benefits including the local resources to facilitate response to the existing and future negative impacts.

### **Positive Social Impacts**

**Job Creation** – As previously stated, there will be a substantial number of jobs created at the attraction facilities as well as within the community. The jobs outside the casino project will result from direct casino wages, earnings and visitor activity as well as the spending and re-spending of these new dollars within the community. While ERA estimated the impact of these jobs and earnings, there are less tangible social impacts as well. These include:

- Impact on the unemployment rate of the area. According to the Bureau of Labor and Statistics, in December of 2004, the Kenosha and Racine Primary Statistical Area (PMSA) had roughly 9,600 unemployed workers. The unemployment rate for the two PMSA’s ranged from 4.9% to

5.9%. The proposed project will generate a total of 3,300 direct and 1,312 indirect new jobs, the creation of these jobs – over time – means that the unemployment rate of the area will decrease.

- **Entry-level employment opportunities.** Since many casino jobs can be considered entry-level positions, it means that persons filling the positions will be able to gain valuable job experience and basic skills. It also means that as the region reportedly continues to shift to more of a service-based economy that the skills and training that are essential in a serviced-based industry will be provided to Kenosha area residents. Entry-level positions often attract new-to-the-workforce employees as well as those that may have been dislocated from other positions or people seeking to augment their income through part time employment. The positions offered by the casino facilities will aid area residents that might be denied opportunities to enter the workforce.
- **Health Care** – All casino employees will receive fully paid competitive health care benefits.
- **Welfare-to-Work.** Although difficult to define, within casino development projects there have been successful welfare-to-work programs established. Some of these have reportedly been particularly successful when casino complexes have been developed as part of Native American programs, and there are also instances where former welfare recipients have been recruited and trained for entry-level positions in the program.
- **AFDC** – A somewhat dated (1995) Wisconsin Department of Health and Social Services report stated that every rural county with an Indian Casino reduced its number of AFDC Aid for Dependent Children) recipients by more than twice the Wisconsin Average.

**Homeownership** – The impact on increased home ownership is difficult to define, but a couple of observations are in order.

- The overall homeownership rate in Kenosha County is about 74%, above the national average of 67%. This indicates a strong community wide desire to own one's own home.
- The entry-level positions at the complex will create new dual income households with increased resources to pursue their housing objectives.

### **Negative Social Impacts**

Numerous studies identified earlier and social service agencies in casino areas have generally concluded that the following social problems generally attributed to poor economic conditions can be exacerbated by gaming activity:

- Domestic violence
- Divorce
- Child neglect

Additional social problems that gaming may contribute to include:

- Crime
- Individual Job Loss
- Mental Health

These are obviously serious individual concerns and as mentioned are possibly increased as a result of expanded gaming activity in the region. ERA's experience is that social agencies in many areas are working with local government as well as casino programs to identify potential problem gamblers as well as to respond to the resulting social malfunctions. As part of the IGA responsible gaming program, ERA recommends local program decision makers continue to monitor the experience elsewhere and facilitate opportunities to use the generated gaming program financial resources as part of the local response to negative behavioral activity.

In order to provide a potential estimate of the financial implications of the social problems linked to gaming problems, ERA reviewed and selected several recent related studies including:

1. Impact of Gambling – United States General Accounting Office (GAO) (April 2000).
2. National Gaming Impact Study – National Gaming Commission.
3. Louisiana Gaming Control Board 1999

These and other reports echo a common theme that the amount of high quality and relevant research on gaming social effects is extremely limited. An important and common aspect of this lack of research is pointed out in the GAO report "while studies have shown increases in social costs of pathological gamblers, it is difficult to isolate whether gambling is the only factor causing these problems because pathological gamblers often have other behavior disorders."

The gain of approximately 5,000 new jobs would obviously offset any additional job loss generated by excessive gaming activity. Employment activity, wages and benefits should also diminish criminal activity.

Recognizing these basic constraints, ERA used existing research to provide an initial description of the potential negative economic implications for the Kenosha area as a result of problem and pathological gamblers.

1. Employment Costs
  - Lost work time
  - Unemployment Compensation
2. Bad Debts / Bankruptcy
3. Theft
4. Criminal Justice
  - Arrests
  - Trials
  - Probation



- Incarceration

In addition to the financial costs identified, there are obviously a range of family and social costs involved:

In reviewing available data the total financial costs resulting from a person with serious gambling problems appears to be generally considered impossible to accurately estimate (data implies a range of approximately \$5,000 annually depending upon the factors included). Perhaps the most important financial consideration in reviewing negative social impacts of gaming is the conclusion of the GAO/NORC research that the estimated costs to treat a problem gambler are approximately \$715 per year and a pathological gambler \$1,200. In other words, the Kenosha region has and will continue to experience the potential social problems related to gaming activity. As stated earlier, a logical response is to determine the most appropriate local program response and seek to minimize, if not potentially solve, these problems.

In any event any estimate of increased gaming activity's social costs needs to be considered in light of \$600 million dollars in direct local benefits, previously identified, that this project will generate.

### **Responsible Gaming**

ERA's experience is that the potential social problems of gaming activity are a prime concern of the gaming industry. Allowing local communities to maximize the economic benefits of a successful gaming attraction and minimizing if not prevent negative issues is obviously a logical goal of the Kenosha gaming program. This is illustrated by the current agreement with local government that includes:

- The Intergovernmental Agreement specifies that the Menominee Casino will annually provide \$150,000 plus additional \$150,000 from the County to address the issues of irresponsible gaming in the Kenosha area. This annual commitment provides resources not heretofore available.
- Local decision makers will also have a range of resources (i.e. By 2010 when the full project is complete, the City and County of Kenosha will receive \$18 million per year in IGA payments plus considerable new tax dollars) as well as the economic benefit of reduced unemployment and welfare costs as previously described.
- The program plan for the casino, as with the existing Menominee Casino and the Mohegan Sun Casino, prominently display messages for those seeking assistance in addressing irresponsible gambling and also provide training to employees of the issue.

While almost all previous research on the social impacts of gaming, positive and negative, assures this issue will generate an ongoing debate from a financial perspective. ERA concludes the fiscal resources will exist to adequately respond to the problem.

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## Appendix

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## Appendix A – Project Alternatives – Fiscal Implications

ERA was requested to prepare a summary of three valid project development options with an overview of the related fiscal impact implications. The three sample development options selected include:

- Option A      Use of existing facility and space for the casino project (i.e. Temporary Casino)
- Option B      Development of 100,000 square feet of gaming space plus restaurants, event hall, entertainment, retail, etc. (i.e. Phase One)
- Option C      Full proposed program (i.e. Phase II)
  - 116,000 square feet of gaming space
  - 400-room hotel
  - Night club
  - Additional dining
  - Additional parking

Using our report format and considerable judgment as to the gaming activity that would be generated by each valid development option, ERA offers the following Alternative Project Impact Summary:

### Option A      Use of Existing Facility and Space

1. Probable casino program if contained in existing facility
  - 37,000 S.F. of gaming space
  - 1,300 gaming positions
  - Two quick service restaurants, 3 bar outlets, plus bar seating area of approximately 75.
2. Probable Gaming Activity (PWC Estimates)
  - Gaming visitors – 2.1 million
  - Gaming revenue - \$154 million
3. Resulting Fiscal Impacts
  - a) Construction Activity
    - Comparatively limited level of effort involved, say:
    - Jobs and Earnings (Direct and Indirect):      -      147 Jobs, \$4,500,000
  - b) Annual Casino Operating Program
    - Jobs and Earnings (Direct)      -      887 Jobs, \$28,500,000

- Jobs and Earnings (Indirect) - 343 Jobs, \$19,100,000
- State Income Taxes - \$2,800,000
- State Retail Sales Tax - \$760,000
- County Retail Sales Tax - \$76,000

c) Visitor Expenditures / Impacts

- 75,000 Room Night Visits
- 850,000 Day-Trip Visitors from outside of Kenosha Area
- Total Retail Expenditures \$11,000,000
- State Retail Sales Tax \$550,000
- County Retail Sales Tax \$55,000
- Hotel Room Taxes \$400,000

d) Gaming Activity / Impacts

- Payments to State - \$12.1 million
- With respect to all agreements regarding payments by the MKGA to the City and or County, ERA assumes these agreements would be renegotiated. For this reason, ERA has not projected payments to the various governmental bodies.

**Option B      101,000 S.F. Casino Facility (ie Phase One)**

1. Probable Casino Program

- 101,000 S.F. of gaming space
- 3,300 gaming positions
- 6 restaurants, approximately 50,000 S.F. of retail, a 5,000 seat events hall and a variety of entertainment facilities.

2. Probable Gaming Activity

- Gaming visitors - 4.7 million
- Gaming revenue - \$361 million

3. Resulting Fiscal Impacts

a) Construction Activity

- Comparatively limited level of effort involved, say:
- Jobs and Earnings (Direct and In-Direct) - 4,100 Jobs, \$132,700,000

b) Annual Casino Operating Program

- Jobs and Earnings (Direct) - 2,200 Jobs, \$66,200,000

- Jobs and Earnings (Indirect) - 870 Jobs, \$45,600,000
- State Income Taxes - \$ 6,500,000
- State Retail Sales Tax - \$1,790,000
- County Retail Sales Tax - \$180,000

c) Visitor Expenditures / Impacts

- 75,000 Room Nights Demanded
- 3.2 Million Day-Trip Visitors from Outside of Kenosha Area
- Total Retail Expenditures \$23.1 Million
- State Retail Sales Tax \$1,200,000
- County Retail Sales Tax \$115,000
- Hotel Room Tax \$400,000

d) Gaming Activity / Impacts

- Payments to State - \$29.3 million
- With respect to all agreements regarding payments by the MKGA to the City and or County, ERA assumes these agreements would be renegotiated. For this reason, ERA has not projected payments to the various governmental bodies.

**Option C      Proposed Facility (ie Phase Two)**

1. Casino Program

- 116,400 S.F. of gaming space
- 3,796 gaming positions
- Expanded restaurant capacity to 1,475 seats
- 400-room full-service hotel with an additional 45,300 SF of meeting space
- Nigh-club of 6,900 S.F.
- 1,500 additional structured parking spaces

2. Probable Gaming Activity

- Gaming visitors - 5.3 million
- Gaming revenue - \$450 million

3. Resulting Fiscal Impacts

a) Construction Activity

- Comparatively limited level of effort involved, say: jobs and earnings
- Direct and In-Direct - 5,900 Jobs, \$200,000,000

## b) Annual Casino Operating Program

|                                |   |                           |
|--------------------------------|---|---------------------------|
| • Jobs and Earnings (Direct)   | - | 2,670 Jobs, \$ 89,700,000 |
| • Jobs and Earnings (Indirect) | - | 1,049 Jobs, \$ 62,000,000 |
| • State Income Taxes           | - | \$ 10,300,000             |
| • State Retail Sales Tax       | - | \$6,400,000               |
| • County Retail Sales Tax      | - | \$643,000                 |

## c) Visitor Expenditures / Impacts

- 174,000 Room Nights Demanded
- 3.5 Million Day-Trip Visitor from Outside Kenosha Area
- Total Retail Expenditures Outside of Casino \$33.4 Million
- State Retail Sales Tax \$1,670,000
- County Retail Sales Tax \$167,000
- Hotel Room Tax \$600,000

## d) Gaming Activity / Impacts

- Detailed payments found in the executive summary

**Overall Comparison**

|   | Temporary     | Phase I       | Phase II      |
|---|---------------|---------------|---------------|
| Construction                                |               |               |               |
| Jobs - Direct and Indirect                  | 147           | 4,100         | 5,939         |
| Earnings - Direct and Indirect              | \$4,500,000   | \$132,700,000 | \$199,600,000 |
| Operation                                   |               |               |               |
| Jobs - Direct and Indirect                  | 1,231         | 3,069         | 3,719         |
| Earnings - Direct and Indirect              | \$47,500,000  | \$111,800,000 | \$151,700,000 |
| Visitors                                    |               |               |               |
| Total Visitors                              | 2,100,000     | 4,700,000     | 5,300,000     |
| Total Gaming Revenue                        | \$154,000,000 | \$361,000,000 | \$450,000,000 |
| Room Nights Demanded                        | 75,000        | 75,000        | 174,000       |
| Day Trip Visitors from Outside Kenosha Area | 850,000       | 3,200,000     | 3,500,000     |
| Total Retail Expenditures Outside of Casino | \$11,000,000  | \$23,100,000  | \$33,400,000  |

**Fiscal Impact Comparison** (Not included are payments to the City and or County as well as the Kenosha School District. If the Temporary or Phase I alternatives are the final projects, the intergovernmental agreement would be renegotiated)

State and County retail sales taxes include retail sales from individuals who work and live in the Kenosha area as well as visitors from outside of the area. State income taxes include taxable wages from direct and indirect jobs generated from the operation of the casino.

|                           | Temporary   | Phase I     | Phase II     |
|---------------------------|-------------|-------------|--------------|
| State Income Taxes        | \$2,760,000 | \$6,480,000 | \$10,300,000 |
| State Retail Sales Taxes  | \$1,310,000 | \$2,900,000 | \$8,097,000  |
| County Retail Sales Taxes | \$131,000   | \$294,000   | \$810,000    |
| Hotel Room Taxes          | \$400,000   | \$400,000   | \$600,000    |

## Appendix B – Impact of Kenosha Menominee Casino Hotel Project on the Forest County Potawatami Tribal Casino in Milwaukee

ERA was requested to provide an estimate of the probable market impact the new Kenosha Casino may have on the existing Milwaukee program. In conducting this analysis it is essential to point out a variety of factors influence the market impact one casino program has on another including:

- **Access** – How easy is it for visitors to get to either facility. In this case both facilities are adjacent to major interstate highways, but the Milwaukee Casino has, in ERA's opinion, a complicated access situation (i.e., it is located in an industrial valley not visible from the highway with 3 or 4 turns required to get to the facility from the highway.
- **Program Scale** – The two casinos' are both full-service facilities with the Kenosha program planned to be about double the size of the current Milwaukee facility, which has announced a \$240 million dollar expansion program.

### Kenosha as Planned

3,100 slot machines  
75 table games  
45,300 S.F. of meeting space  
5,000 seat events hall  
Multiple dining options  
400 room hotel  
50,000 S.F. of retail  
8,500 parking spaces

### Milwaukee Currently

1,500 slot machines  
32 table games  
Bingo Facility  
6,000 S.F. of banquet space  
550 seat theater  
Multiple dining options  
Partners with hotels in area  
Gift Shop  
4 level parking structure

- **Amenities** – The Kenosha program and adjacent area obviously offers a wider array of visitor attractions and activities. The Milwaukee program is generally separated from any visitor amenities.
- **Programs** – In this situation it is reasonable to assume both casinos will offer a quality marketing and incentive programs.

A key factor in any casino comparison effort is that of the adult markets available. ERA and PWC's analysis of the two programs market areas can be summarized as follows:



### Drive Time Population Over 21 Years of Age

| Kenosha         |   |           | Milwaukee       |   |           |
|-----------------|---|-----------|-----------------|---|-----------|
| 0 – 20 Minutes  | = | 84,833    | 0 – 20 Minutes  | = | 673,763   |
| 20 – 40 Minutes | = | 648,197   | 40 – 60 Minutes | = | 346,286   |
| 40 – 60 Minutes | = | 1,379,378 | 40 – 60 Minutes | = | 355,453   |
| 0 – 60 Minutes  | = | 2,112,408 | 0 – 60 Minutes  | = | 1,375,502 |

The following maps illustrate the three drive time areas (20, 40 and 60 minutes) for each casino program. As indicated on Map One here is no overlap for the two locations 20-minute drive time markets.

Maps two through illustrate the 20 to 40 and 40 to 60 minute casino markets for both facilities and the fact that there are some overlap areas.

### Economic Impact

In assessing the visitor economic impact of the Kenosha Casino on the Milwaukee market it is also important to consider both the adult market segments and overlap as well as the related propensity to gamble and average trip budget considerations which vary by distance from the casino. The guidelines used in ERA's assessment are as follows:

| Drive Time      | Propensity to Gamble | Annual Trips | Average Trip Budget |
|-----------------|----------------------|--------------|---------------------|
| 0 – 20 Minutes  | 35%                  | 14           | \$50                |
| 20 – 40 Minutes | 30%                  | 10           | \$80                |
| 40 – 60 Minutes | 20%                  | 8            | \$100               |

To determine the potential impact the Kenosha project will have on the Milwaukee programs market, ERA assumed the Milwaukee expansion would occur and follow the same propensity to gamble, annual trips, and average trip budget as the Kenosha casino. ERA made the following assessment:

- For the Milwaukee casinos 0 -- 20 minute-market area, (i.e. 673,763 adults), there will be no impact.
- For the Milwaukee casino 20 – 40 minute market area, (346,286) adults there will be modest overlap and impact. This overlap area contains approximately 56,000 adults. Assuming this population will elect to go to the facility that has the shortest drive time, ERA estimates approximately 36,500 will select Kenosha as their destination. This is a potential net loss to the Milwaukee 20 to 40-mile market trade area of 10%.

- For the Milwaukee casinos 40 – 60 minute market area, (i.e. 355,453) adults, there is considerable overlap. This overlap area contains approximately 229,000 adults that actually live closer to the Kenosha facility. ERA estimates that if these people all select the Kenosha location it would result in a net loss for the Milwaukee 40 to 60-mile market of 65%.

Using the above estimates implies the Milwaukee casino program currently has an annual gaming revenue (i.e. population, annual trips, average budget) from the total 60-minute drive time area of \$305 million dollars. If all of the adults in the overlap market areas (20 to 40 and 40 – 60 minute drive times) elect to visit the closest facility, as indicated Milwaukee will lose approximately 265,000 adults out of its market areas. This group represents 12% of its estimated 4.9 million annual gaming visitors for the one- hour drive market sub-areas.

### Conclusion

ERA's review of the Potawatmi Tribal Casino market area suggests the customer base after the expansion of their casino includes:

- A considerable portion of Northeastern area residents of Wisconsin given the limited gaming options available.
- Wisconsin residents visiting the Milwaukee area for entertainment, sports, cultural activities, etc. (i.e. pass through visitors).

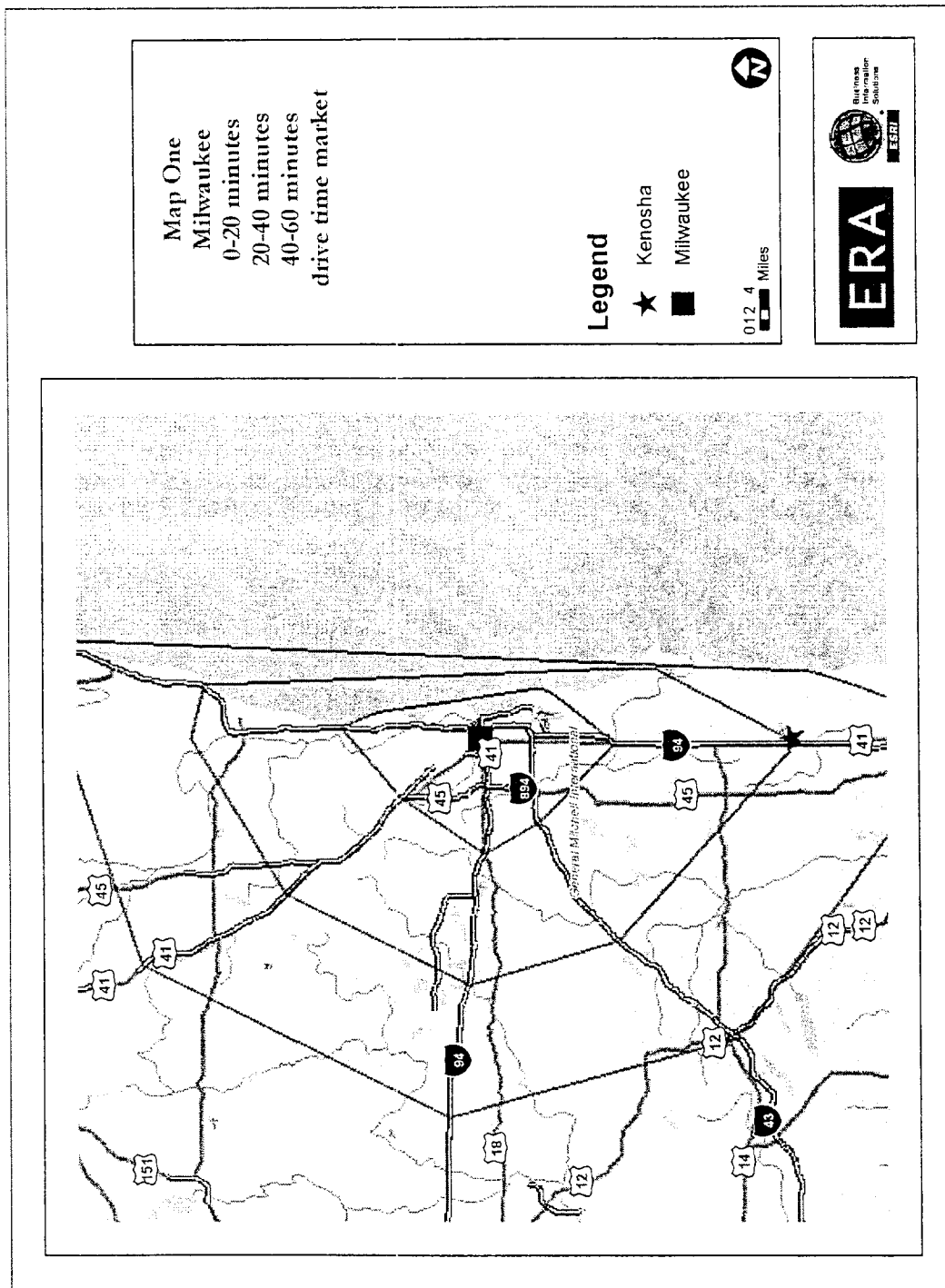
Assuming the State market represents approximately 20% of the Milwaukee programs customer base, ERA estimates the Kenosha facility will have the following potential market impacts:

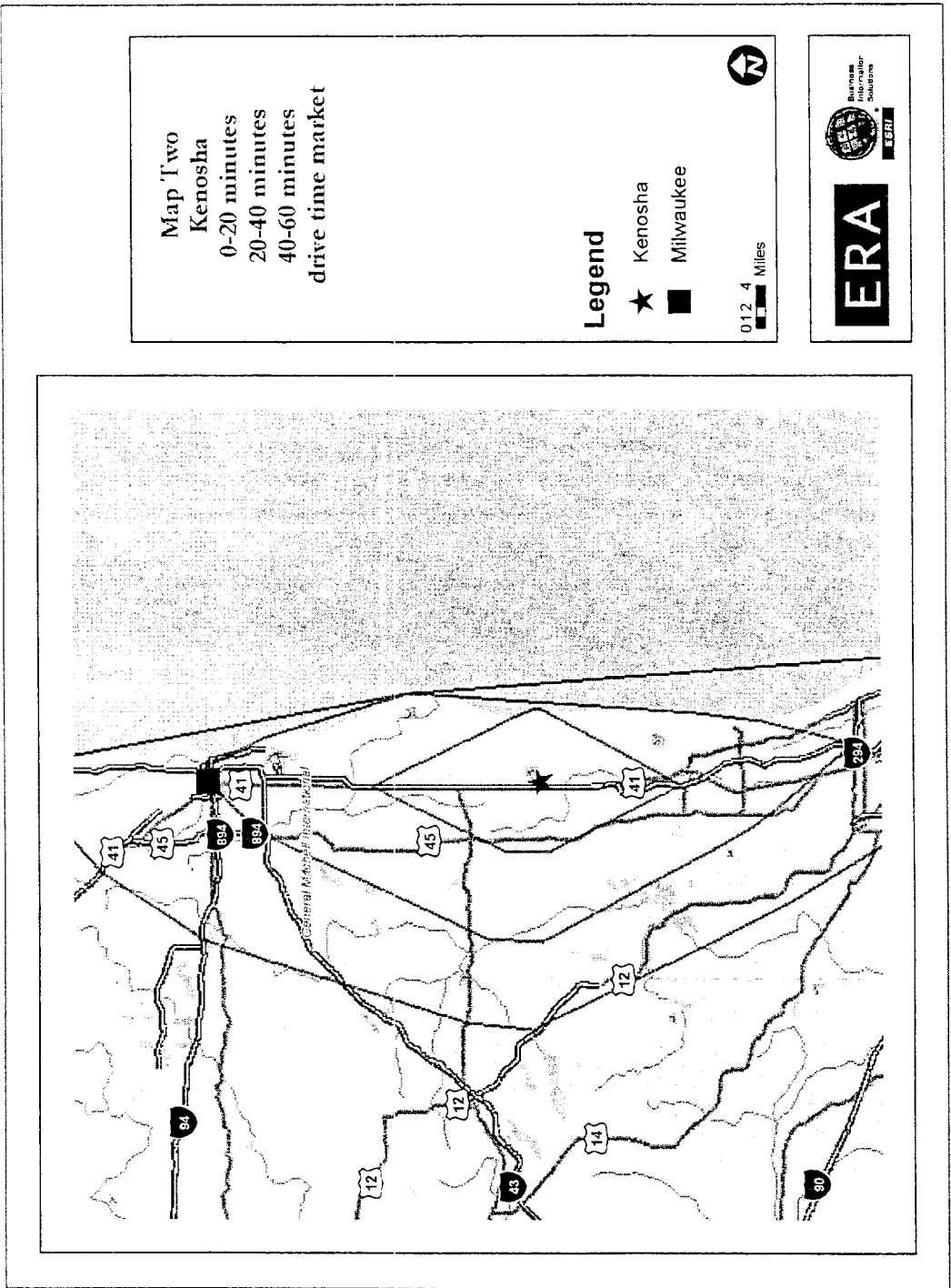
#### **Market Impact Analysis On the Milwaukee Casino**

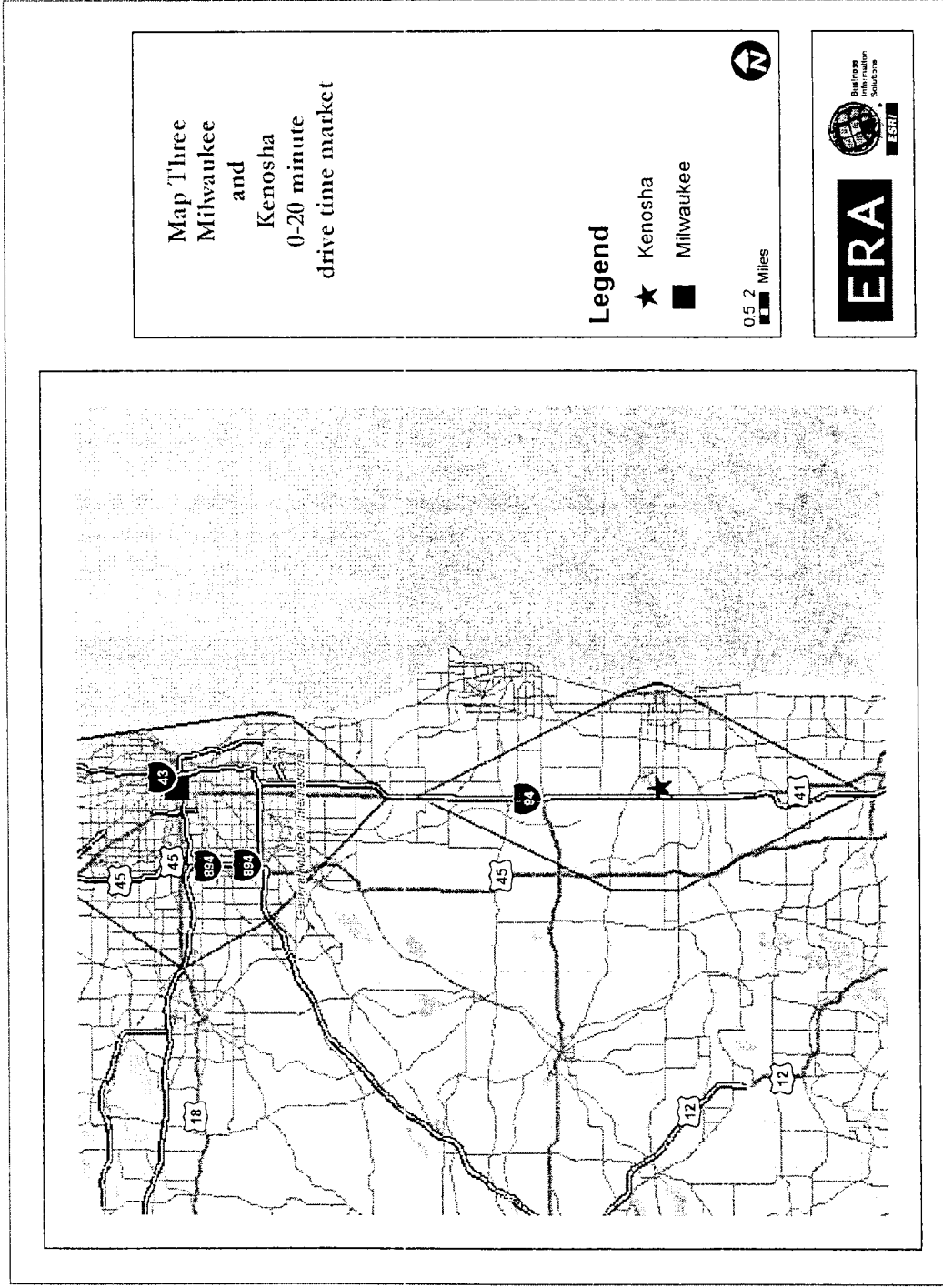
| <b>Market Area</b> | <b>Gaming Visits</b> | <b>Future Revenue<br/>Estimates (expansion)</b> | <b>Impact</b> | <b>Future Resource<br/>Estimate</b> |
|--------------------|----------------------|---|---------------|-------------------------------------|
| 0 – 20 Miles       | 3,300,000            | \$165 Million                                   | - 0-          | \$165 Million                       |
| 20 – 40 Miles      | 1,038,000            | \$ 83 Million                                   | -10%          | \$ 75 Million                       |
| 40 – 60 Miles      | 569,000              | \$ 57 Million                                   | -65%          | \$20 Million                        |
| State              | 981,000              | \$78 Million <sup>3</sup>                       | -0-           | \$ 78 Million                       |
|                    | 5,888,000            | \$383 Million                                   |               | \$338 Million                       |

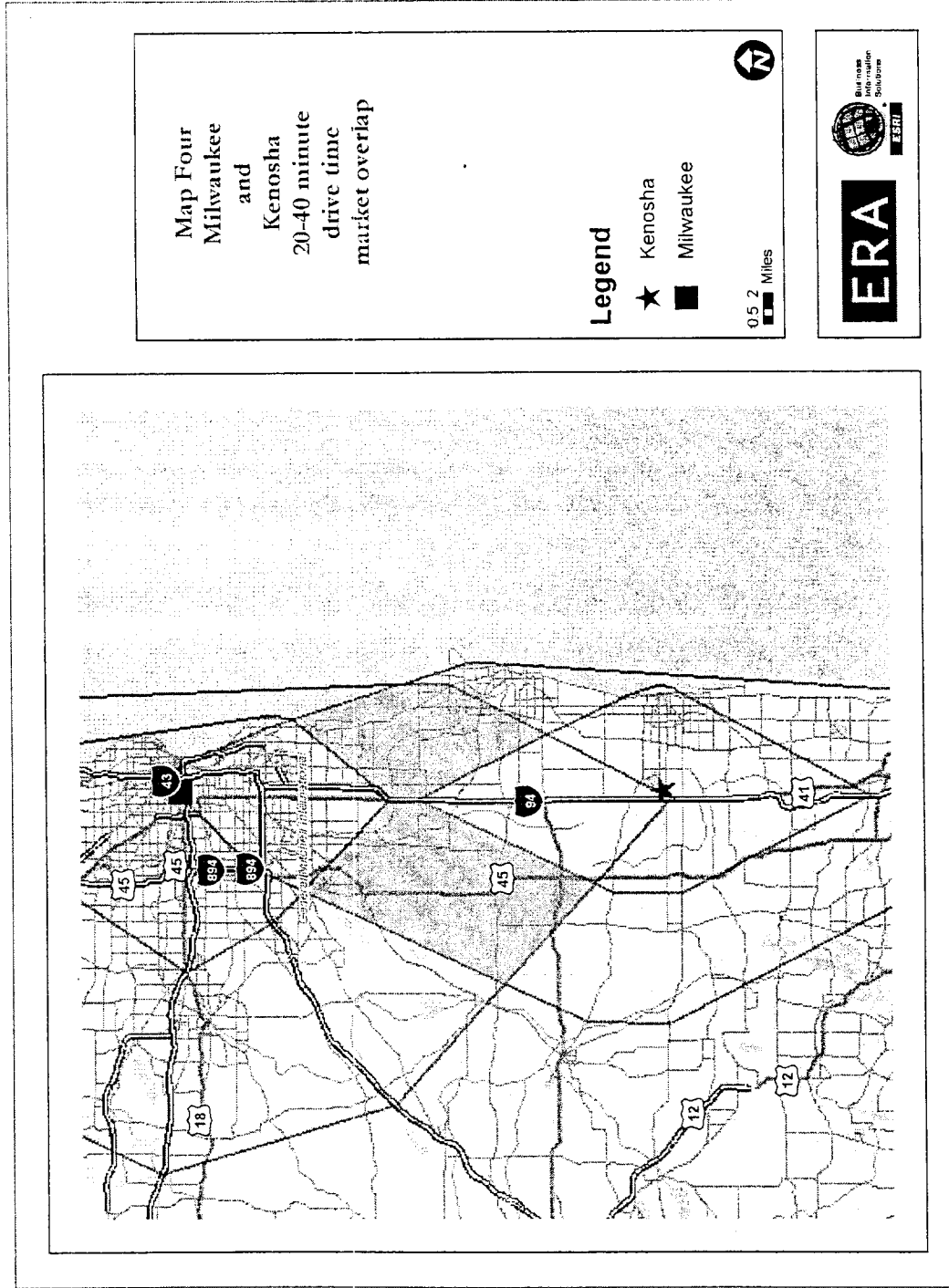
Considering the overall regional expansion of gaming activity it appears reasonable to assume that the Forest County Potawatmi Tribal Casino program will not be significantly impacted (12%) by the Kenosha Menominee Casino – Hotel project. As more people are introduced to, and participate in the programs, the market will continue to expand to the benefit of both facilities.

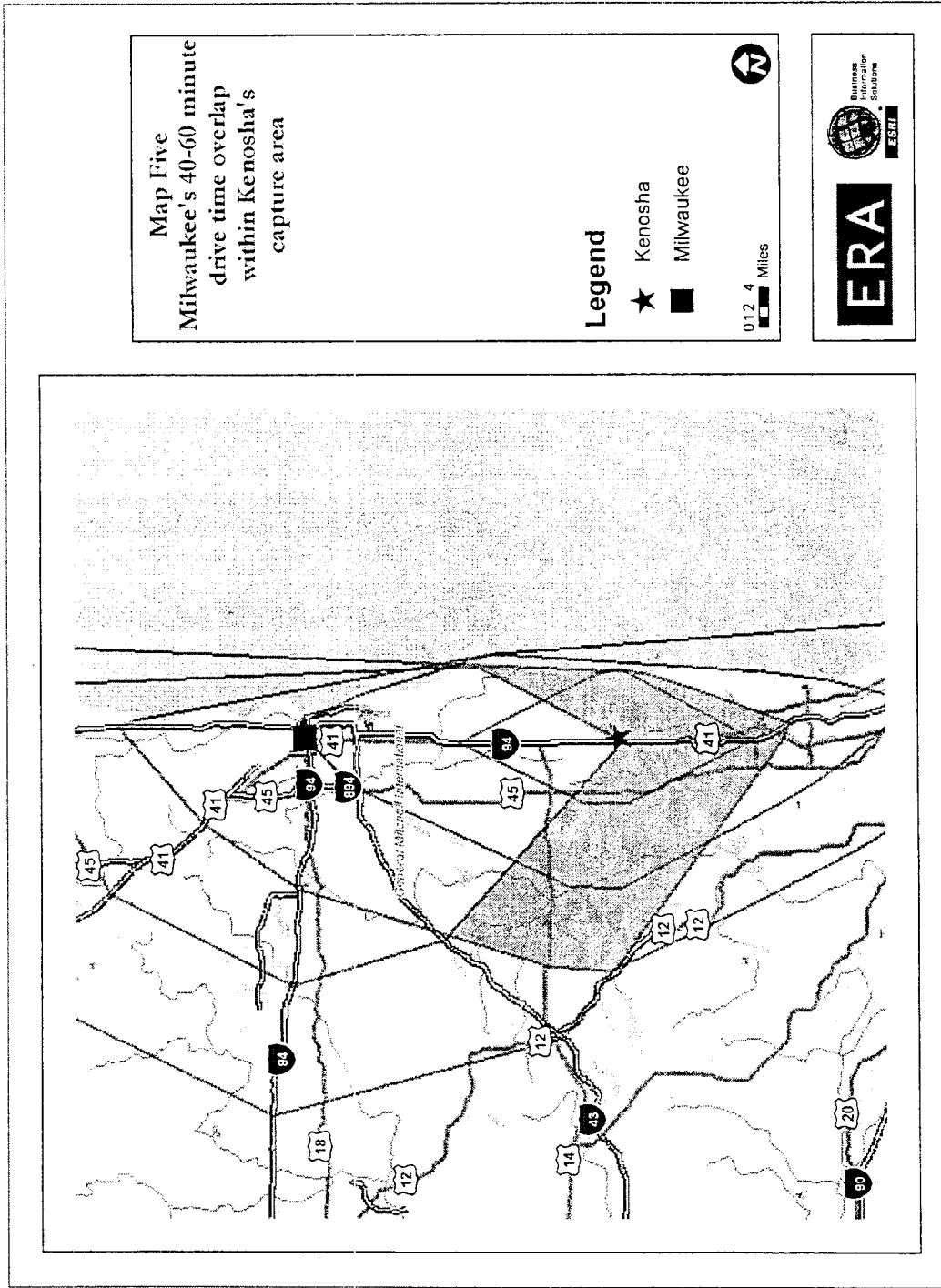
<sup>3</sup> ERA used \$80 for Milwaukee season visitors from beyond the 1-hour drive area.

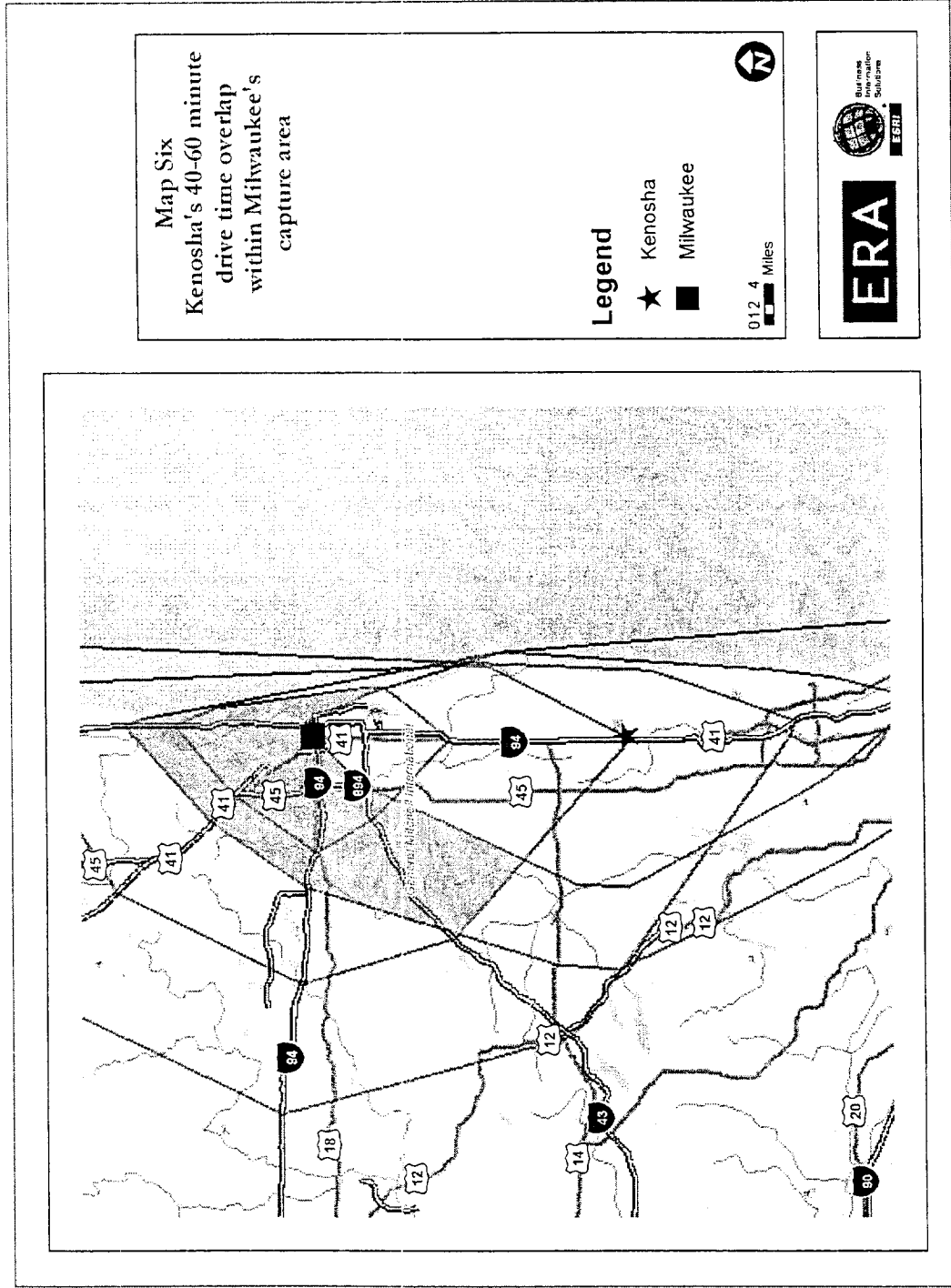














## Appendix C – Menominee Nation – Kenosha Casino Hotel Project

### 22-Year Projection

#### Construction Phase Direct and Indirect Fiscal Impacts – One Time Occurrence

|                                     |              |
|-------------------------------------|--------------|
| State Income Taxes Generated        | \$13,700,000 |
| State Retail Sales Taxes Generated  | \$3,200,000  |
| County Retail Sales Taxes Generated | \$320,000    |

| Annual Program Operational Payments from MKGA –After Completion of Phase II | Estimated    |                  |
|---|--------------|------------------|
|   | First Year   | 22-Year Total    |
| Payments to State   | \$34,800,000 | \$1,005,000,000  |
| Payments to City and County   | \$13,600,000 | \$192,000,000    |
| Payments to Kenosha Schools <sup>2</sup>                                    | \$1,500,000  | \$15,000,000     |
| Payments to the Menominee Reservation School District                       | \$1,500,000  | \$15,000,000     |
| Responsible Gaming Program <sup>3</sup>                                     | \$150,000    | \$3,300,000      |
| Payments to County <sup>4</sup>   | \$1,057,000  | \$30,600,000     |
| Payments to the CVB (Hotel Room Tax)  | \$300,000    | \$9,000,000      |
| One time Payment for Public Purposes  | \$5,000,000  | \$5,000,000      |
| Total   | \$57,907,000 | \$1,2746,000,000 |

| Annual Operational Wage Direct and Indirect Fiscal Impacts –After Completion of Phase II <sup>5</sup> | Estimated    |               |
|---|--------------|---------------|
|   | First Year   | 22-Year Total |
| State Income Taxes Generated  | \$10,300,000 | \$298,700,000 |
| State Retail Sales Taxes Generated  | \$6,427,000  | \$139,900,000 |
| Total   | \$16,727,000 | \$438,600,000 |

1. The report assumes that construction and operation of the facility reach full implementation, Phase II, as defined throughout the report.
2. Payments to Kenosha Schools from the MKGA are \$1,500,000; plus \$500,000 each from City and County for a total of \$2,500,000.
3. Payments to Responsible Gaming Program from the MKGA are \$150,000; plus \$150,000 from the County on an annual basis. The City also makes a one-time payment of \$150,000 towards the Responsible Gaming Program.
4. Includes payments to the County from Tribal Sales Tax and retail sales taxes generated from direct and indirect fiscal impacts
5. Includes taxes generated from overnight and day visitors who reside outside of the Kenosha area.

## General Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible and they are believed to be reliable. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent, and representatives or any other data source used in preparing or presenting this study.

No warranty or representation is made by Economics Research Associates that any of the project values or results contained in this study will actually be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Economics Research Associates" in any manner. No abstracting, excerpting, or summarization of this study may be made. This study is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client. This study may not be used for purposes other than that for which it is prepared. Exceptions to these restrictions may be permitted after obtaining prior written consent from Economics Research Associates.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

## ERA Project Approach

The Menominee Casino Project is a complex project because of its size and the fact that development is scheduled to occur over a three to four year period. The project has multiple components that will result in a wide variety of impacts for Kenosha, Kenosha County and Wisconsin. ERA's impact analysis generally reflects the proposed projects current schedule and cost estimates.

The approach taken by ERA included:

- Where appropriate incorporate our extensive experience with ongoing casino programs in terms of operation, visitation, general implications for the attractions environment etc to augment the projects conclusions derived from the currently proposed Kenosha facility and the available data.
- Review current information regarding the proposed project as well as tax programs with local government officials.
- Assess the total level of investment that would be made in the three phases (Temporary Casino, Phase I, Phase II) of the project.
- Estimates of jobs were further refined to take into account the construction period for the different phases (lasting about three and half years) and the jobs (both direct and spin-off) that result from the actual operation of the casino, hotel and other facilities.
- Estimate the number of jobs that would be created in the different phases. ERA estimated estimates of the direct jobs (those employed at the casino/entertainment facility) and indirect jobs (those jobs that are created locally due to high levels of investment and spin-off from the project)
- From the number and types of jobs that are estimated to be created, ERA calculated the earnings that would result and particularly the amount of earnings subject to Wisconsin taxes.
- The amount of sales taxes that would be created by both the construction and operation of the facilities was also estimated. As with the number of jobs and earnings, ERA analyzed the project to determine the amount of taxes from direct casino activity and from the spin-off activity.
- There are additional payments that will result from the creation of a new casino destination attraction in Kenosha. These are included in the Intergovernmental Agreements (IGAs) that define when and at what level different payments are made to the State, City, school districts, etc.
- The fiscal impacts and economic impacts are treated together, since one is directly related to the other. Less defined is the spin-off economic impact that will naturally occur as the result of the large level of investment, employment and activity that will be generated.
- Social impacts are also addressed in the study. Kenosha already has experience with issues of legalized gaming since there are more than a score of other gaming opportunities currently available to Wisconsin/Kenosha residents, which include Internet gaming, Wisconsin State Lottery, and casinos.

In order to create estimates of direct and spin-off impacts, ERA used a methodology called regional input/output multipliers provided by the U.S. Department of Commerce. These are professionally developed guidelines that provide a way to make the estimates of direct jobs and

earnings as well as indirect jobs and earnings during the construction and operation phases of the casino facility. The terminology includes a “direct impact” which means something that occurs because of the development or operating activity. The analysis also includes “indirect impacts” which estimate the respending of the newly created wages or purchasing revenues in the local economy. These are estimated throughout the Report for different activities. A more detailed explanation of multipliers is provided in the following section.

### **Multiplier Impact Assumptions and Methodology**

ERA and other persons interested in the total impact of different types of projects (large scale development projects, base closings, etc.) utilize multiplier impact estimates to gauge the total effect of spending and employment created by a project within a defined regional area. It is generally appreciated that not all spending and wages are utilized within the immediate local areas (e.g. gaming equipment is not manufactured in the Kenosha area) and that as spending and wages recirculate there is a proportional decrease in impact. The use of multipliers provides an estimate as to the complete impact from construction period and operational spending.

Direct impacts are those impacts created from the payment of wages, purchases of materials and other activities associated with the immediate construction project and the ongoing operation of the facilities.

Indirect regional impacts, created by construction operation reflect the re-spending effect of direct employees in the local economy. These direct and indirect impacts ripple through the regional economy, resulting in new jobs and wages in other industry sectors, which could include retail sales, hospitality, services, and other sectors. The extent of re-spending within an economy is generally calculated with economic multipliers, which reflect the extent of interdependence between industries in a region. If local firms are more interdependent, they buy a larger share of goods and services from each other, minimizing leakage (or spending outside the region) to other states in the country, resulting in a higher multiplier and relatively greater indirect impacts. ERA utilized RIMS II input-output multipliers for wages and employment generated for the state of Wisconsin by the US Department of Commerce, Bureau of Economic Analysis.

ERA used two types of multipliers to predict indirect impacts; Final Demand and Direct Effect multipliers. Final demand multipliers are used when the dollar amount going to be spent in the area is known and you apply this amount to specific multipliers. To predict the increase in earnings to the area, the total amount spent is multiplied to the final demand earnings multiplier. The final demand jobs multiplier is per million dollars, so the total amount spent in the area must be divided by one million dollars then multiplied by the job multiplier.

Direct effect multipliers predict initial changes in employment and wages and predicts how many total jobs and total wages will be generated from these changes. To determine the indirect wages and jobs, you subtract the total impact from the direct impact.

The multipliers used in this assessment were generated by the Bureau of Economic Analysis, and are based on historic economic data for the defined areas. It is important to understand that ERA is applying multipliers based on current economic relationships in the local area to future jobs

and earnings generated by the proposed casino. ERA's experience suggests that this is a reasonable assumption, so long as the local economy does not experience a major shock or dramatic change, such as the gain or loss of a major employer, altering local economic relationships.

**Analysis of State Impacts Related to the  
Proposed Kenosha Casino  
Prepared for Kenesah Gaming Development, LLC  
May 5, 2005  
PricewaterhouseCoopers LLP  
Hospitality & Leisure Consulting Group**

May 5, 2005

Mr. Dennis Troha  
Manager  
Kenesah Gaming Development, LLC  
1709 – 32<sup>nd</sup> Ave.  
Kenosha, WI 53144

Dear Mr. Troha:

In accordance with PricewaterhouseCoopers' ("PwC") engagement letter dated January 14, 2003, this report contains an executive summary of our findings.

The objective was to provide Kenesah Gaming Development, LLC ("Kenesah Gaming") certain advisory services relative to the potential development of a Class III gaming facility (the "Kenosha Casino") in Kenosha, Wisconsin by the Menominee Indian Tribe of Wisconsin. As such, we have prepared an analysis of the potential statewide impacts of the Kenosha Casino and offsetting impacts at the Potawatomi Casino in Milwaukee.

Our report is subject to the Assumptions and Limiting Conditions, which follow.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

The accompanying analyses do not constitute an audit, examination, review or compilation of historical or prospective financial information conducted in accordance with Generally Accepted Auditing Standards or with standards established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are unable to express any opinion or any other form of assurance with respect to whether the prospective financial information is presented in conformity with AICPA presentation guidelines. To the best of our knowledge and belief, the statements of facts contained in this report, upon which the analysis and conclusion(s) expressed are based, are true and correct. Information, estimates and opinion furnished to us and contained in the report were obtained from sources considered reliable and believed to be true and correct. However, no representation, liability or warranty for the accuracy of such items is assumed by or imposed on us, and is subject to corrections, errors, omissions and withdrawals without notice.

Our analyses are based on estimates and assumptions developed in connection with this engagement. Some assumptions, however, inevitably will not materialize, and unanticipated events and circumstances will occur.

This report and its comments are intended solely for the Kenesah Gaming Development, LLC. This report will also be released subject to the limiting conditions below to the standard public. Neither our report, nor its contents, nor any reference to PwC may be included or quoted in any loan document, offering circular, registration statement, prospectus, sales brochure, appraisal, or other agreement.

If you have any questions contact either Michael French or Aran Ryan at 267-330-3050 or 267-330-3136, respectively. We appreciate the opportunity to assist the Kenesah Gaming Development, LLC.

Sincerely,

*PriceWaterhouseCoopers L.L.P.*

By: Michael G. French, Philadelphia



## Executive Summary

PricewaterhouseCoopers (“PwC”) has assisted Kenesah Gaming Development, LLC (“Kenesah Gaming”) and the Menominee Indian Tribe of Wisconsin (“Menominee Indian Tribe”) at several points during the planning for the Menominee Indian Tribe of Wisconsin proposed Kenosha, Wisconsin casino and entertainment center project (“Kenosha Casino”) at the site of the existing Dairyland Greyhound Park (“Dairyland”). The Menominee Indian Tribe is a federally recognized Indian Tribe with over 8,100 members and a reservation located in northeastern Wisconsin. The Menominee Indian Tribe and its Menominee Kenosha Gaming Authority, have signed a development agreement with Kenesah Gaming, contracting the services of Kenesah Gaming to plan, design, develop, construct and furnish the Kenosha Casino.

The pursuit of opportunities to create new economic activity in Wisconsin, whether in the form of new jobs, or an expanded tax base, is an important topic for Wisconsin residents and their political representatives. The proposed Kenosha Casino offers one such opportunity. As a significant new development in a growing industry and one which will be situated in a location that is expected to make it possible to draw significant levels of spending from Illinois residents, the proposed Kenosha Casino offers the potential for substantial economic impacts to the local area and Wisconsin as a whole. Last year, to quantify these impacts, PwC prepared a detailed economic impact analysis that estimated the impacts Kenosha Casino is expected to support in a five-county region around Kenosha, Wisconsin.<sup>1</sup> The local impacts described in the analysis were significant, but excluded the potential benefits that would be supported in other areas of Wisconsin, for example as Kenosha Casino purchased inputs produced by businesses in central, western and northern Wisconsin.

Therefore, to understand the statewide impact of Kenosha Casino, it was necessary to expand the economic impact analysis to include the impact to other areas of Wisconsin, both in terms of additional activities supported as purchases by Kenosha Casino and its employees ripple through other areas in Wisconsin, and in terms of potential impacts to the existing Potawatomi Bingo Casino in Milwaukee, Wisconsin (“Potawatomi Casino”). This approach considers the potential gains offered by the operation of both Kenosha Casino and Potawatomi Casino after its proposed expansion relative to the impacts of the current Potawatomi Casino alone.

In preparing the analysis, PwC analyzed the expected performance and impact of the Kenosha Casino and the Potawatomi Casino in several scenarios. PwC considered a five-year period of analysis, using fiscal years beginning in June 2007, the month of the assumed opening of the first permanent phase of Kenosha Casino, and extending through May 2012, with figures presented in 2004 constant dollars to be consistent with PwC’s June 14, 2004 reports.<sup>2</sup> Unless otherwise

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<sup>1</sup> Regional Economic Impact of the Proposed Kenosha Casino, June 14, 2004, prepared by PricewaterhouseCoopers for Kenesah Gaming Development, LLC.

<sup>2</sup> Market Assessment Executive Summary and Regional Economic Impact of the Proposed Kenosha Casino, June 14, 2004, prepared by PricewaterhouseCoopers for Kenesah Gaming Development, LLC.

noted, gaming revenue figures presented are Class III net win, which includes racetrack revenues in the case of Kenosha Casino. The results of our analysis may be summarized in three points:

- 1) Compared to the economic impact supported by the existing Potawatomi Casino, the expected impacts of an expanded Potawatomi Casino and Kenosha Casino are substantial. The following describes the impacts in terms of jobs; salaries, wages, and other income; and tax revenues and other payments to the State of Wisconsin and local governments:
  - a. The existing Potawatomi Casino directly and indirectly supports approximately 3,130 full- and part-time jobs in Wisconsin, based on its estimated performance in 2003, the most recent year for which gaming revenue information is available.<sup>3</sup> With the opening of an expansion at Potawatomi Casino, which is described in Section Two of this report, and the opening of Kenosha Casino, this impact is estimated to increase to an average of 10,460 jobs during the five-year period starting in June 2007. This represents an increase of more than 230 percent in the estimated employment impact.
  - b. The impact to wages, salaries and other income is also expected to be substantial, increasing from approximately \$132 million directly and indirectly supported by the existing Potawatomi Casino facility to an average of \$415 million annually. This represents an estimated increase of more than 210 percent relative to the estimated salaries, wages, and other income expected to be supported by the existing Potawatomi Casino.
  - c. Fiscal impacts, in the form of tax revenues and payments to the State of Wisconsin and local governments directly and indirectly supported by casino operations, are also expected to be substantially greater with the opening of Kenosha Casino, increasing from approximately \$37 million supported on an annual basis by the existing Potawatomi Casino (excluding non-recurring payments), to approximately \$114 million annually. Included in these overall estimates are payments to State, which are expected to increase from approximately \$19 million, to an average of \$60 million annually. Additional information on estimated fiscal impacts is presented in Figure 2.
- 2) The potential markets available to Kenosha Casino and Potawatomi Casino are substantial, and are expected to enable both casinos to operate expanded facilities. The Potawatomi Casino generated approximately \$244 million in gaming revenue during 2003 (in 2003 dollars). We would expect that such a casino generates significant annual returns for its operators. Because of the substantial size of the Milwaukee-area market, we anticipate that the Potawatomi Casino will not only remain highly profitable with the opening of the Kenosha Casino, but that the Forest County Potawatomi Tribe will still

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<sup>3</sup> The City of Milwaukee 2005 Proposed Budget shows the Potawatomi Casino paid \$3.7 million to the City. Based on the agreement between the Forest County Potawatomi Community and the City and County of Milwaukee, the City is to receive 1.5 percent of Milwaukee Annual Class III net win, or \$3.38 million, whichever is greater. Therefore, it has been calculated that the Potawatomi Casino generated approximately \$244 million in Class III net win in 2003 (in 2003 dollars).

find its planned casino expansion justified by the potential returns, permitting the tribe further opportunity to grow its business. Given the proposed location of Kenosha Casino, we do not anticipate significant impacts to any of the other existing casinos in Wisconsin.

- 3) If the Kenosha Casino plan advances quickly, it may reduce the attractiveness of Waukegan as a site for the 10<sup>th</sup> license in Illinois, increasing the likelihood that the license would be awarded to another location in Illinois, and preserving a greater amount of potential positive economic impacts for the State of Wisconsin and the Kenosha area. Also, even if a casino does not open in Kenosha, a casino may still open in Waukegan, and this casino may negatively impact the performance of Potawatomi Casino. The development of a casino in Waukegan, Illinois may potentially reduce the level of economic impact that would be expected to be supported by the Kenosha Casino.

Our analysis is presented in three sections that correspond to these key findings. The first section presents the economic impact results, the second section summarizes the scenario analysis, and the third section addresses the potential development of a casino in Waukegan, Illinois.

### 1. Economic Impact Results

The expected benefits to the residents of Wisconsin supported by the development of Kenosha Casino are expected to occur in three key categories:

- jobs: including employees of the casino, construction firms, and suppliers;<sup>4</sup>
- salaries, wages, and other income: including employee compensation earned by employees of the casino, construction firms, and suppliers, as well as other income;<sup>5</sup> and,
- fiscal impacts: including tax revenues, such as income tax payments by employees at the casino, and direct payments by the casinos to the State and local governments.

These measures are the focus of our analysis, and are used to understand the potential impacts of Potawatomi Casino and Kenosha Casino in future years. This analysis of future performance is summarized as follows:

- 1) the economic impact supported by the existing Potawatomi Casino,
- 2) the economic impact expected to be generated by an expansion of Potawatomi Casino,
- 3) the economic impact expected to be supported by Kenosha Casino,

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<sup>4</sup> The economic impacts of leased retail facilities at Kenosha Casino have been excluded from this analysis because the facilities were added to the facilities program after PwC had completed much of its market research.

<sup>5</sup> Employee compensation includes total payroll costs, including wage and salary payments, as well as tips and any benefits being provided including health and life insurance, retirement payments, and any other non-cash compensation. Other income includes proprietors income and other property type income. Proprietors income includes income received for payment of self-employed work, as reported on Federal tax forms. This includes income received by private business owners, doctors, lawyers, and so forth. Other property type income includes payments to individuals in the form of rents received on property, royalties from contracts, and dividends paid by corporations. This also includes corporate profits earned by corporations. For the purpose of this analysis, the estimate of direct salaries, wages, and other income excludes payments to Menominee Indian Tribe, the Forest County Potawatomi Tribe, or other entities involved in the casino development and operation.

- 4) the potential impact of a reduction in activity at an expanded Potawatomi Casino as a result of the opening of Kenosha Casino; and,
- 5) the net impact of these four estimates.

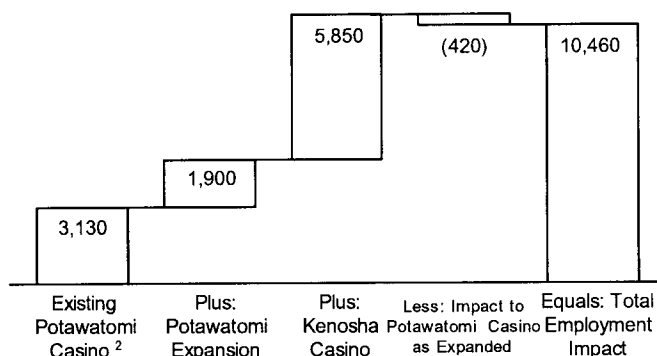
The results of the comparisons are shown on the following page, and the logic is straightforward: the Potawatomi Casino has a significant potential market available to it that is not currently being satisfied; therefore the Potawatomi Casino may be expected to expand and support increased economic impacts in Wisconsin. The development of Kenosha Casino is also expected to support substantial economic impacts in Wisconsin, and because Kenosha Casino is expected to draw a high proportion of its visitors from Illinois and other markets not reached by Potawatomi Casino, the opening of a casino in Kenosha is expected to have only a minor impact on the performance of Potawatomi Casino. Overall, the future impacts supported by these two casinos may be expected to be more than three times as large as the impacts supported by the existing Potawatomi Casino. In other words, with the opening of Kenosha Casino and the opening of a market-justified expansion at Potawatomi Casino, Wisconsin could potentially experience economic impacts equivalent to those that would be supported by three existing Potawatomi Casinos operating simultaneously.

**Figure 1 – Economic Impact with Kenosha Casino and Expanded Potawatomi Casino**

As shown in the following three graphs, Wisconsin is expected to realize valuable benefits from the operation of Kenosha Casino in addition to the expanded Potawatomi Casino.

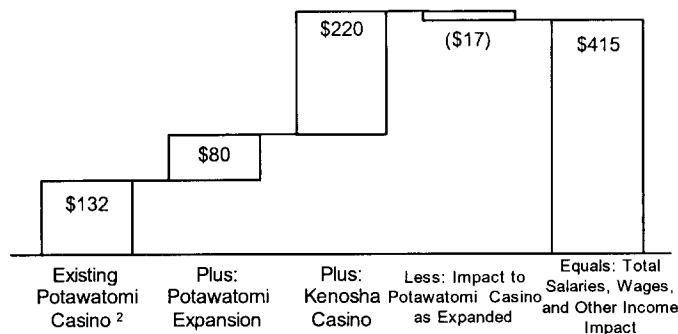
#### Annual Direct and Indirect Employment Impact

- Combined, the expanded Potawatomi Casino and the Kenosha Casino are expected to support an average of 10,460 jobs annually during the five-year analysis period (FY 2008 to FY 2012).
- This represents 3.3 times the expected impact of the existing Potawatomi Casino.



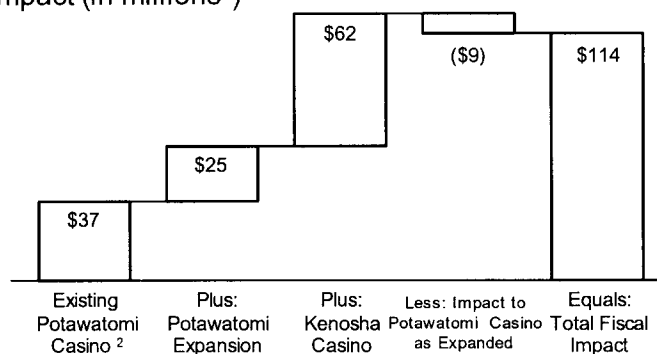
#### Annual Direct and Indirect Salaries, Wages, and Other Income Impact (in millions <sup>1</sup>)

- The two facilities combined are expected to support an average of \$415 million of salaries, wages, and other income annually during the five-year analysis period, including salaries, wages, and other income earned by employees of the casinos and local businesses.
- This represents 3.1 times the expected impact of the existing Potawatomi Casino.



#### Annual Direct and Indirect Fiscal Impact (in millions<sup>1</sup>)

- The fiscal impact of the combined facilities is expected to average \$114 million annually during the analysis period, including an average of \$60 million in payments to the State of Wisconsin, also taxes collected by the State, as well as local government mitigation payments.
- This represents 3.1 times the expected impact of the existing Potawatomi Casino.



<sup>1</sup> Values are in 2004 dollars

<sup>2</sup> Excludes non-recurring payments

Source: IMPLAN, Kenesah Gaming; and PricewaterhouseCoopers

As presented in Section Two, during the five-year analysis period the expanded Potawatomi Casino and Kenosha Casino are expected to generate cumulative gaming revenue of \$2.1 billion and \$2.2 billion, respectively. The Wisconsin economic impacts of each facility are expected to differ for a number of factors, including the proposed location of the Kenosha Casino near the Illinois border, and the greater level of construction expenditures anticipated at Kenosha Casino.

The economic impacts presented in this analysis were calculated using the IMPLAN economic impact software in an approach that follows the approach PwC used in estimating the economic impact in the local area.

As part of these impacts, Kenosha Casino is expected to support valuable intergovernmental and charitable payments. These payments have been summarized as follows.

- Kenosha Casino is expected to support \$234 million in payments to the City and County of Kenosha and the State of Wisconsin during the five-year period starting June 2007, equivalent to \$47 million annually. This estimate includes \$750,000 in payments to the County of Kenosha to create and implement a responsible gaming policy (\$150,000 annually), almost \$10 million in distributions to the Kenosha Unified School District (approximately \$2 million annually), \$65 million in intergovernmental payments to the City and County of Kenosha (approximately \$13 million annually), and \$161 million in payments to the State of Wisconsin (\$32 million annually).<sup>6</sup> These estimates are based on the Intergovernmental Agreement between the Menominee Indian Tribe of Wisconsin, the Menominee Kenosha Gaming Authority, the City of Kenosha, and the County of Kenosha; and on an assumed payment of 7.5 percent of annual net win to the State of Wisconsin.
- In addition to the estimated \$234 million expected to be paid during the five-year period described, the Menominee Kenosha Gaming Authority is expected to pay \$5 million to the City of Kenosha for the purpose of establishing a trust fund to support public museums of Kenosha and a trust fund to address the needs of homeless people in Kenosha, and to address other cultural and charitable needs in Kenosha County.

These payments, the payments by Potawatomi Casino, and the estimated non-gaming tax impacts by both facilities are shown in Figure 2. In addition to the payments considered in this analysis, Kenosha Casino has agreed to pay a hotel tax on occupied hotel rooms and has agreed to fund a portion of local tourism activities.

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<sup>6</sup> The estimates shown do not sum to the total due to rounding.

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**Figure 2 – Average Annual Fiscal Impacts**

|  | Five-Year Average (FY 2008 to FY 2012) |                                  |                   |  |
|--|--|----------------------------------|-------------------|--|
|  | Existing<br>Potawatomi<br>Casino (a)   | Expanded<br>Potawatomi<br>Casino | Kenosha<br>Casino | Combined<br>Expanded<br>Potawatomi Casino<br>and Kenosha<br>Casino |
| <b>Intergovernmental payments (millions)</b>   |  |                                  |                   |  |
| State of Wisconsin   | \$19                                   | \$27                             | \$32              | \$60   |
| City and County of Milwaukee   | 9                                      | 12                               | 0                 | 12   |
| City and County of Kenosha   | 0                                      | 0                                | 13                | 13   |
| Payments to Kenosha Unified School District  | 0                                      | 0                                | 2                 | 2  |
| Payments to support Responsible Gaming Program (b)   | 0                                      | 0                                | 0                 | 0  |
| Sub-total  | \$28                                   | \$40                             | \$47              | \$87   |
| <b>Non-gaming taxes (millions)</b>   |  |                                  |                   |  |
| Non-gaming taxes including personal and social insurance taxes paid on the salaries and wages of casino employees, and indirect taxes  | 9                                      | 13                               | 15                | 28   |
| <b>Total Fiscal Impact</b>   | <b>\$37</b>                            | <b>\$53</b>                      | <b>\$62</b>       | <b>\$114</b>   |
| Notes  |  |                                  |                   |  |
| (a) Based on estimated 2003 performance and payments to the State of Wisconsin at the following rates: eight percent of net win in calendar year 2007, seven percent in 2008, six percent in 2009, and 6.5 percent in following years. |  |                                  |                   |  |
| (b) Calculated as \$150,000 annually, this estimate does not show in table due to rounding.  |  |                                  |                   |  |
| Dollar values are constant 2004 dollars.   |  |                                  |                   |  |
| Figures may not sum due to rounding.   |  |                                  |                   |  |

Source: IMPLAN, Kenesah Gaming; and PricewaterhouseCoopers

Estimated non-gaming tax impacts supported by Kenosha Casino are expected to total approximately \$15 million annually. Non-gaming tax impacts include personal and social insurance taxes, including income taxes paid on the salaries and wages of casino employees; as well as corporate profits and dividends taxes, and other indirect business taxes expected to be supported by the indirect impacts of the casinos on the Wisconsin economy. For example, estimated non-gaming taxes include retail sales tax receipts that may be supported by spending by workers, and corporate income tax receipts that may be supported by corporate profits in other sectors of the state economy. Also, interest income from the savings of the individuals who receive wages and salaries supported by the casinos represents a source of potential tax revenue.

This brings the total estimated fiscal impact of Kenosha Casino to \$62 million annually. Combined with the estimated impact of an expanded Potawatomi Casino, the fiscal impact is expected to total \$114 million annually, which is 3.1 times as large as the approximately \$37 million of fiscal impacts that would be expected to be supported by the existing Potawatomi Casino on an average annual basis over the same period.

## 2. Estimated Performance of Potawatomi Casino in Two Scenarios

The potential market available to Potawatomi Casino is substantial, and is estimated to provide opportunities for the casino to generate significant revenues. These estimates are based on the adult population in the region and the performance of comparable casinos. PwC estimated the expected gaming revenue of Potawatomi Casino in two different scenarios, one without Kenosha Casino and one with Kenosha Casino. In both cases it was assumed that Potawatomi Casino would take advantage of the substantial market available to it and construct an expansion.

In forming these scenarios, PwC made a number of assumptions, including the following:

- **Scope of Kenosha Casino:** It is assumed that Kenosha Casino opens a Temporary Phase that is followed by the June 2007 opening of Phase I, and June 2009 opening of Phase II. In the initial or Temporary Phase, the existing Dairyland racetrack is retrofitted with slot machines and table games. In Phase I, a new casino facility opens, and in Phase II, the casino is expanded with additional facilities, including a 400-room hotel.
- **Scope of Potawatomi Casino expansion:** The Forest County Potawatomi Tribe (“Potawatomi Tribe”) has announced it may expand Potawatomi Casino, but has not announced specific details of the expansion. For the purpose of considering a situation in which the Potawatomi Tribe moves ahead with an expansion, PwC has assumed that the expansion will occur adjacent to the existing Potawatomi Casino and that it will bring the total number of gaming positions at Potawatomi Casino to 3,000, an increase in gaming positions of approximately 100 percent. Additionally, it is assumed that the expansion will include a hotel, and that it will open in June 2007. The June 2007 opening date was assumed for this analysis because it matches the assumed opening of Phase I of Kenosha Casino and therefore helps to simplify the discussion, and because it is a reasonable timeline in absence of any more specific information.

Assumptions related to the Potawatomi Casino are based on the following information. Immediately proceeding the May 14, 2004 decision by the state Supreme Court that cast into doubt the State’s recent compacts with the Potawatomi Tribe, the Potawatomi Tribe announced plans to construct a \$240 million casino facility, either as an expansion of the existing Potawatomi Casino or as a new casino in downtown Milwaukee. At the time, a spokesperson for the Potawatomi Tribe reportedly stated that if the expansion occurred at the existing site, the current building would be retained but with an enlarged footprint and additional stories. Additionally, it was announced that the expansion would increase the number of casino employees by approximately 60 percent. These plans were reportedly put on hold by the state Supreme Court decision. The Potawatomi Tribe had previously announced plans, in February 2003, for a \$120 million addition, with the potential to add a hotel.

- **Table games permitted:** For this analysis, PwC has assumed a full complement of table games, including for example craps and roulette, are offered at both Potawatomi Casino and Kenosha Casino. Because Potawatomi Casino currently offers a full complement of table games, this assumption was made so that Kenosha Casino could be considered on a comparable basis. Also, a casino with a full complement of table games is: 1) permitted



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in the Menominee Indian Tribe compact with the State, 2) competitive with the offerings at the Illinois riverboat casinos, and 3) offers the greatest economic impacts to the residents of Wisconsin.

- **Regional gaming environment:** The assumed regional gaming environment considered in this analysis is consistent with PwC's June 14, 2004 Market Assessment.<sup>7</sup> Specifically, PwC assumed that a riverboat casino will open in Rosemont, Illinois, but did not incorporate potential impacts related to the new casino tax rates in Illinois that went into effect on July 1, 2003 and were expected to end either on July 1, 2005 or with the opening of a 10<sup>th</sup> casino in the state. It is expected that other changes to the regional gaming market may occur during the period of analysis that were not included in PwC's June 14, 2004 Market Assessment, such as expanded casinos at other sites in Wisconsin, but no such changes have been included in this analysis.
- **Fiscal year definitions:** PwC prepared its estimates on a fiscal year basis, using a fiscal year starting June 1 to coincide with the opening dates of Phase I and Phase II of Kenosha Casino. Therefore, Fiscal Year 2008 starts June 1, 2007.

The chronology described by these assumptions may be summarized as follows: first, Kenosha Casino opens a temporary casino, then in June 2007, Potawatomi Casino expansion opens and Phase I of Kenosha Casino opens; later, in June 2009, Phase II of Kenosha Casino opens, including a hotel.

In our experience analyzing casino gaming markets throughout the U.S., we would anticipate that a casino in the current position of Potawatomi Casino would be aggressively pursuing plans for expansion. Though we have not analyzed the actual operations of Potawatomi Casino, we would anticipate that a facility of its size that generated approximately \$244 million in gaming revenue in 2003 (in 2003 dollars) would be highly profitable for its owners. While other major metropolitan areas that offer casino gaming, such as Detroit and St. Louis are served by multiple local casinos, Potawatomi Casino is the only casino in the Milwaukee area. We have analyzed the population base in the market area accessible to Potawatomi Casino, and expect that the market is not fully captured by Potawatomi Casino in its existing size. While Kenosha Casino would likely attract some gamers who would have otherwise visited an expanded Potawatomi Casino, PwC anticipates that an expansion of the Potawatomi Casino would still generate incremental free cash flow that would support an attractive return on investment. Therefore, PwC believes it is appropriate to assume that the Forest County Potawatomi Tribe will expand Potawatomi Casino even if a new casino opens in Kenosha.

PwC estimated expected revenue of Potawatomi Casino from FY 2008 to FY 2012 in each scenario, considering the simultaneous operation of Kenosha Casino. In this analysis, the operation of Kenosha Casino has the greatest expected impact on Potawatomi Casino in FY 2010, the year that the Phase II facilities at Kenosha Casino first open, after which Potawatomi Casino is expected to refocus its marketing efforts, and achieve revenue levels closer to the case

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<sup>7</sup> Market Assessment Executive Summary, June 14, 2004, prepared by PricewaterhouseCoopers for Kenesah Gaming Development, LLC.

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without Kenosha Casino. In the following figure, PwC has shown estimated revenues in FY 2008, the assumed first year of operation of the Phase I permanent facility at Kenosha Casino, and in FY 2011, as an example year showing revenues after Potawatomi Casino has had an opportunity to refocus its marketing efforts. The expected gaming revenue at the existing Potawatomi Casino is expected to increase from approximately \$244 million (in 2003 dollars) to approximately \$289 million annually (in 2004 dollars) even if it remains in its current facility. This is because Potawatomi Casino has made some incremental additions to its number of gaming positions and because it started offering a full complement of table games including craps.

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**Figure 3 – Estimated Potawatomi Casino Revenue**


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|                          | Existing<br>Potawatomi<br>Casino | Expanded Potawatomi Casino |         |
|--------------------------|----------------------------------|----------------------------|---------|
|                          |                                  | FY 2008                    | FY 2011 |
| Estimated gaming revenue | \$289                            | \$374                      | \$431   |

Note: figures are in millions of 2004 dollars.

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Source: PricewaterhouseCoopers

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The estimated performance of Potawatomi Casino may be summarized as follows:

- In its existing scope, gaming revenue of the Potawatomi Casino is expected to average approximately \$289 million annually. This represents an increase from the approximately \$244 million in Class III net win that the facility generated during 2003 (in 2003 dollars), as a result of a slightly increased number of gaming positions and a more complete offering of table games.
- In the case that includes Kenosha Casino and an expansion of its facility, Potawatomi Casino gaming revenue is expected to total approximately \$374 million in FY 2008 (19 percent below the case without Kenosha Casino), and recover to \$431 million in FY 2011 (17 percent below the case without Kenosha Casino). It should be noted that even if Kenosha Casino opens, Potawatomi Casino is still estimated to greatly increase its revenue by expanding; reaching \$431 million in annual revenue, compared to \$289 million at its current size.

#### *Summary of Cumulative Gaming Revenue*

As a useful measure for consideration, PwC has calculated the cumulative gaming revenue expected to be generated over a five-year period by Potawatomi Casino and Kenosha Casino combined. This measure indicates that gaming revenue is expected to be the greatest when both Potawatomi Casino and Kenosha Casino are operating. As shown in the following figure, the combined casinos are expected to generate approximately \$4.2 billion in cumulative gaming revenue during the five-year analysis period. This is equivalent to approximately \$845 million annually, or 2.9 times the expected annual revenue of Potawatomi Casino in its existing facility.

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**Figure 4— Cumulative Casino Gaming Revenue**

|  | Expanded<br>Potawatomi Casino | Kenosha Casino | Combined |
|--|-------------------------------|----------------|----------|
| Cumulative gaming revenue FY 2008 to FY 2012 | \$2.07                        | \$2.15         | \$4.22   |

Note: Figures are in billions of 2004 dollars.

Source: PricewaterhouseCoopers

*Debt Service Costs*

It may be expected that Kenosha Casino will face a higher level of debt service costs, and therefore may have a lower level of free cash flow available for payments to the State of Wisconsin, than it would if it was already operating as a casino. In its plan for Kenosha Casino, the Menominee Indian Tribe has proposed an \$808 million entertainment complex and casino in a strategic decision to appeal to visitors from a broad market and to differentiate its gaming experience offering from that featured at the riverboat casinos in Illinois.<sup>8</sup> This may be compared to the \$240 million expansion announced by the Potawatomi Casino in May 2004. It may be expected that the Potawatomi Casino, with its existing operation, existing name recognition in the market, and central location in a major metropolitan area, is in a position to generate incremental revenue with a lower level of investment than is planned for Kenosha Casino.

Not only is the level of investment at Kenosha Casino expected to be greater than at Potawatomi Casino, but the interest rates required by lenders on the Kenosha Casino project are expected to be higher than if the facility had an operating history as a casino. In comparison, the Potawatomi Casino has operated since 1991 and has had an extended period to generate returns for the Forest County Potawatomi and develop access to less costly capital for an expansion.

**3. Potential Development of a Casino in Waukegan, Illinois**

Because the final location of the 10<sup>th</sup> casino license in Illinois has not yet been fully resolved, it may still be possible for Waukegan, Illinois to be selected as a development site. If Kenosha Casino is developed, a casino in Waukegan may be expected to generate a lower level of gaming revenue than it would otherwise. Therefore, if the Kenosha Casino plan advances quickly, it may reduce the attractiveness of Waukegan as a site for the 10<sup>th</sup> license in Illinois, by reducing the potential supportable tax revenues. As a result, timely development of Kenosha Casino may decrease the likelihood that a license would be awarded for a facility in Waukegan, thereby preserving a greater amount of potential positive economic impacts for the State of Wisconsin and the Kenosha area.

If a casino is developed in Waukegan, rather than in Rosemont, Illinois as assumed by PwC for the purpose of this analysis, the economic impact supported by the Kenosha Casino may be

<sup>8</sup> Menominee Indian Tribe of Wisconsin press release, "Menominee Submit Initial Plans Kenosha Entertainment Center, Request Formal Talks with City and County", June 16, 2004.

expected to be somewhat lower. Though PwC has not yet analyzed this scenario, it is anticipated that a casino in Waukegan would tend to draw from similar markets as the Kenosha Casino, and thereby might reduce the expected level of gaming activity at Kenosha Casino. Even in the absence of a casino in Kenosha, a casino in Waukegan may still negatively impact the level of gaming activity in Wisconsin by attracting some visitors who may have otherwise gamed at Potawatomi Casino.